Austria ... Sch 18	Indonesia .. Rp 2100	Portugal ... Esc 90
Bahrain .. Din 0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium .... BFr 38	Japan Y550	Singapore . S$ 4.10
Canada .... C$2.00	Jordan ... Fils 505	Spain .... Pta 110
Cyprus .... C£0.60	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT 585
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,651 — Monday June 17 1985 — D 8523 B

Star wars: meanwhile back at the Kremlin, Page 15

World news — Business summary

Police fire at rioters in Cape Province

South African police fired shotguns and rubber bullets when rioters petrol-bombed homes and vehicles in black townships in Cape Province on the anniversary of the 1976 Soweto riots.

The unrest followed two explosions in black townships near Durban – where government offices were damaged – and in Cape Town where a hand grenade was thrown.

In Soweto, police riot squads fired tear-gas to disperse blacks gathered to mark the anniversary of the riots. The violence flared after a crowd of blacks began stoning police vehicles. Page 3

Eanes seeks advice

President Antonio Eanes of Portugal is to consult the Council of State over whether to call early general elections to resolve the crisis caused by collapse of the Socialist coalition Government after a dispute over economic reforms. Elections were not due until 1987. Page 2

Namibia Government

Mr P. W. Botha, South Africa's President, is due to hand over all government powers except security and foreign affairs to an interim Namibian Government today despite further UN pressure for independence for the disputed territory.

Star wars test

The space shuttle Discovery is scheduled to lift off from Cape Canaveral today on a commercial, scientific and military mission which includes the first tests in space of laser technology under the U.S. star wars programme.

Rebels blast bridge

Guerrillas of the Mozambique National Resistance sabotaged a bridge on the railway line between Maputo and South Africa, halting goods traffic to South Africa and Zimbabwe.

100 Tamil casualties

At least 100 Tamil separatist guerrillas were killed or injured when Sri Lankan security forces raided a camp of the Liberation Tigers of Tamil Eelam in the north west of the island.

Martial law demand

The Sind province assembly has joined the Punjab and North-West Frontier provincial assemblies in demanding an end to martial law in Pakistan after the National Assembly allowed a committee to delay for a month its report on a political framework to replace the eight-year-old regime.

Dikko "to appeal"

Former Nigerian minister Mr Umaru Dikko is expected to appeal in the next few days against Britain's refusal to allow him political asylum. He has until Thursday to appeal or face deportation on July 4.

Exiles jeer Kohl

West German Chancellor Helmut Kohl told a jeering crowd of 10,000 German exiles from Silesia that West Germany had renounced territorial claims against Poland and wanted to deepen co-operation between the two countries. Page 2

Policeman killed

Gunmen shot dead a part-time policeman in Kilread, near Londonderry, Northern Ireland. He was the 18th officer to die this year

More police power

After stormy scenes in the Turkish parliament, the Government managed to push through legislation giving wide discretionary powers to police. Page 3

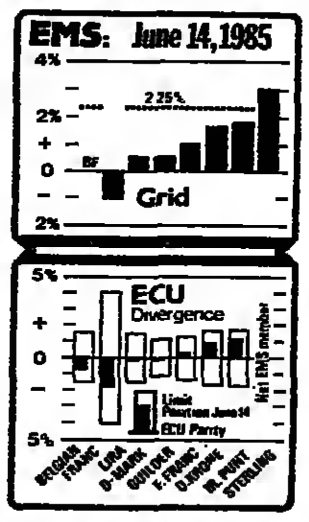
Porsche victory

Porsches filled the first five places in the Le Mans 24-hour car race. Winning crew Klaus Ludwig and John Winter (West Germany) and Paolo Barilla (Italy) covered 3,160 miles at an average speed of 131.7mph.

Goodyear chief attacks tax plan

GOODYEAR tyre group chairman Robert Mercer delivered a blistering attack on President Ronald Reagan's latest tax proposal, saying it would have a negative impact on jobs, economic growth and ability of U.S. manufacturers to compete internationally. Page 3

EUROPEAN MONETARY SYSTEM: The Belgian franc was a little weaker but remained comfortably within its divergence limit. Belgian interest rates have fallen over the past few months thus reducing differentials and lessening the franc's attraction. The D-Mark was also a little weaker although there was little to influence trading ahead of this week's U.S. GNP figures. The Italian lira showed an overall improvement following a Government victory in a referendum on wages.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

MALAYSIAN Government agencies together with the London-based Kuwaiti Investment Office have built up a dominant stake in Cycle & Carriage, the Singapore motor distributor, to secure an effective distribution network for Malaysia's first "national car" the Proton Saga. Page 19

THE political row over the April 30 agreement by IRI, Italy's state holding group to sell SME, its food manufacturing company, for L497bn ($253m) to Buitoni took another turn when Government minister responsible suspended the 20-day deadline for decisions which was to have expired yesterday and threw the decision back at IRI. Page 17

GOLDFIELDS Industrial Corporation, the 60 per cent-owned South African subsidiary of B. Elliott, the UK machine tools group, returned to profit in the year to March despite a drop in turnover. Page 19

AMF, the U.S. leisure equipment manufacturer, has finally agreed to be acquired by Mr Irwin Jacobs, the Minneapolis investor, under a two-step $24 a share and cash and paper tender offer. Page 19

ASTRA, the leading Swedish pharmaceuticals manufacturer, has reported a 24 per cent rise in pre-tax profits for the first four months of 1985 to SKr 360m ($40.4m) against SKr 290m a year earlier. Page 19

CAPITAL Cities Communications of the U.S., confirmed that it is negotiating to sell its cable television operations to the Washington Post newspaper group for about $375m. Page 19

CHRISTIANIA Bank and Bergenbank, the Norwegian banks, were hit during the January/April period this year, by the Government's tough credit market measures. Page 17

BL, the UK state-owned vehicles group, is expected to receive government approval today for its five-year corporate plan. Page 9

Reagan hopeful for negotiated end to Beirut hostage crisis

BY REGINALD DALE IN WASHINGTON, NORA BOUSTANY IN BEIRUT AND LYNNE RICHARDSON IN TEL AVIV

PRESIDENT Ronald Reagan yesterday called his top national security advisers to an emergency meeting at the White House, as guarded hopes rose in Washington for a negotiated end to the agonising three-day ordeal of hijacked TWA flight 847.

With up to 33 American hostages still held by 12 or more Shia terrorists aboard the aircraft, which was on its third visit to Beirut airport yesterday, new talks were under way between the hijackers and Shia and international representatives in Beirut. The hijackers were said to have pledged not to harm their captives as long as the talks continued.

An American Delta force of elite anti-terrorist commandos was widely reported to have been sent to the Mediterranean – probably to Cyprus. The Administration would not confirm the reports, but the view in Washington was that the U.S. was unlikely to use military force to try to rescue the Americans.

Political pressure was mounting, however, for U.S. retaliation against those responsible once the hijacking was over. The American public has been deeply traumatised by the events of the last three days, which are widely seen as an act of open warfare against the U.S. and a challenge to its national sovereignty.

An immediate question yesterday was whether the U.S. would put pressure in Israel to yield to the terrorists' demands to free Shia prisoners in exchange for the hostages on board the aircraft. Mr Reagan said that the U.S. had been in touch with the Lebanese, Syrian and Israeli governments, but would give no details of the exchanges.

Of particular concern in Washington was the fate of up to eight Americans with Jewish-sounding names reported to have been taken off the aircraft during its second visit to Beirut on Saturday. American officials feared that they could face a continuing hostage crisis, even if the captives aboard the aircraft were freed.

As the red and white aircraft touched down at a point south of the Beirut airport terminal yesterday, anti-aircraft positions fired against an Israeli gunboat spotted offshore. Palestinian gunners in the hills overlooking the runway fired several rounds of rockets into southern suburbs north of the airport.

"We remind the United States and Israel that we are not prepared to let go any of the remaining passengers. Our blood will be testimony to this, if there is any delay in the release of our brothers imprisoned in Israeli jails," a statement read by one of the hijackers said after the aircraft landed.

In a letter addressed to Mr Reagan and hand-carried by a Shia Amal representative from the hijacked aircraft, the passengers asked that no military action be taken for their release.

"We the undersigned 32 Americans on flight 847 tell you with complete freedom and under no pressure not to take any military action. We hope that negotiations will be accelerated to convince the Israelis to release 800 Lebanese they are holding," local radio stations reported. This was the first indication there were still 32 American hostages on board.

The State Department said that Mr Reginald Bartholomew, the U.S. Ambassador in Lebanon, was in direct contact with Mr Nabih Berri, the leader of the Amal militia, at whose Beirut house the negotiations were said to be taking place. The terrorists were reported to have authorised Mr Berri to negotiate on their behalf.

Others taking part in the talks were believed to include United Nations and Red Cross representatives and the heads of the British, French and Spanish diplomatic missions in Beirut.

Mr Reagan, who cut short his weekend at Camp David to deal with the crisis "face to face" at the White House, said that he was "naturally" encouraged by the fact that the drama had gone on for so long without general destruction

Asked if it could be solved peacefully, he replied: "I have to believe that."

EEC timetable for removal of barriers to common market

BY QUENTIN PEEL IN BRUSSELS

SWEEPING measures to scrap all frontier controls from the European Community by 1992, settle wide differences in indirect taxation rates, and remove all remaining restrictions to a genuine Common Market in goods and services will be put to EEC leaders for endorsement at their Milan summit this month.

A comprehensive timetable for more than 300 separate actions to overcome the physical, technical and tax barriers to a single EEC market over seven years was announced at the weekend by Lord Cockfield, the European Commissioner responsible for the internal market.

The Commission will submit to the Milan meeting on June 28 and 29 a document seeking the commitment of the 10 European heads of government to a radical acceleration in efforts to open up areas such as financial services, transport and public procurement, as well as remove continuing obstructions to free trade.

The most controversial proposals are an insistence on the need for reducing differences in indirect taxation – value-added tax and excise duties – and the call for complete abolition of all internal frontiers.

"If we succeed, it will fundamentally alter the face of Europe for the rest of our lifetime," Lord Cockfield said in Brussels. "If we fail, you will have a Europe which has lost its thrust and lost its initiative and become very little more than a free trade area."

The document is a direct response to the call by EEC leaders in March for a timetable to complete the open internal market by 1992.

In spelling out the precise consequences of that move, however, it goes considerably further than many member states have been willing to move in abandoning national controls over key areas of security, immigration, taxation and commercial policy.

Lord Cockfield said the cost of physical barriers to European industry was roughly estimated at Ecu 7bn ($5.04bn) a year. "You cannot integrate the 12 economies into a single market of 320m people as long as you have these physical barriers," he said.

The paper concludes that removing frontiers will require measures such as: approximation of taxes; alternative measures to control terrorism and drug-trafficking; scrapping national road haulage quotas; removal of outstanding national import quotas, such as special deals for former colonies; co-ordination of immigration, visa and extradition policies.

The other key initiative it takes is to remove any distinction between barriers to trade in goods or services, in an effort to speed up liberalisation in the financial and service sectors.

Lord Cockfield said the initiative aimed not only at creating a single large market out of the EEC, but one that was both expanding and flexible.

The paper emphasises the Commission's commitment to mutual recognition of standards between member states, rather than rigid harmonisation, for both goods and services. "You cannot make a distinction between goods and services," Lord Cockfield said.

On the question of fiscal barriers, he insisted that the Commission was not seeking harmonisation of Vat rates, but only approximation in response to the fears of member states at the likely extent of adjustment.

Lord Cockfield warned that decision-making procedures in the Council of Ministers would have to be speeded up if the timetable set out in the document was to be met. "This is a subject which has simply got to be tackled," he said, while refusing to be drawn on how it should be done.

Immediate British reaction to the document was guardedly enthusiastic, but with obvious doubts both on the subject of indirect taxation changes, and the removal of all frontier controls.

A spokesman said the UK Government wanted to see an "action plan" approved in Milan that concentrated on the top priority areas: integrated financial services, freedom of capital movement, harmonisation of industrial standards and liberalisation of transport.

Britain is backed in its doubts over Vat approximation by both Ireland and Denmark. West Germany has hitherto resisted efforts to open up financial services without imposing very strict rules of security, while France and Italy are the main offenders against freedom of capital movements, by maintaining exchange controls.

The difficulty of maintaining adequate security against terrorism, and policing of drugs trade, is recognised by the Commission as a serious obstacle to be overcome in putting through the programme.

Budget proposes 16.5% increase in spending

BY OUR BRUSSELS CORRESPONDENT

THE EUROPEAN Commission has submitted an Ecu 34.9bn ($25.1bn) budget for the enlarged 12-nation European Community next year, which, in absolute terms, amounts to a spending increase of 16.5 per cent over the 1985 budget finally approved by Parliament last week.

This preliminary draft budget, sent by the Commission to the EEC Council of Ministers and the European Parliament, shows a sharp switch in emphasis from agricultural spending in favour of regional and social policies.

It also includes for the first time a provision of more than Ecu 420m to allow for depreciation of the huge EEC farm surpluses in storage, currently valued at Ecu 8bn. If approved, the money could help offload some of the old stocks of butter and beef at cheap prices.

The spending plans allow for a British rebate of Ecu 1.4bn in line with last year's Fontainebleau agreement to reduce Britain's payments by two-thirds of its net VAT contributions.

If the extra spending for next year's new members, Spain and Portugal, is excluded, however, the increase is of only 12 per cent.

Most of the rise in spending is proposed for special measures to step up regional and social programmes, and for the Mediterranean programmes approved by EEC leaders last March.

Agricultural price support, which still accounts for more than 60 per cent of the budget at Ecu 20.4bn, is none the less restricted to an increase of only 2.4 per cent, including the reserve for depreciation of stocks.

Although the underlying growth rate of the social and regional funds – devoted to special spending projects for infrastructure and job creation in poorer areas of the Community – is kept to 7.1 per cent, reserves totalling Ecu 1.35bn have been set aside for them. The money will mean an effective spending increase of more than 50 per cent.

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Eanes plans to consult Council of State, Page 2

CAN EUROPE CATCH UP?

IS EUROPE falling farther and farther behind the rest of the industrialised world? What are the real causes of its flagging industrial performance? What can be done to lighten the gloom which has settled over Western Europe in the past three years?

Today the Financial Times launches a major new series which sets out to answer these questions.

Over the next four weeks articles will cover a range of issues from Europe's labour market to the new breed of entrepreneurs, from the problems of intra-European collaboration to the reasons why some European companies are world leaders.

The introductory article – A Divided Continent in Search of its Lost Vitality – appears on Page 14.

Car groups join row on exhaust emissions

By John Griffiths in London

EUROPE'S motor industry has united to tell the president of the European Commission, M Jacques Delors, that the Commission's proposed standards for car exhaust emissions in the EEC are "unrealistic."

The manufacturers' joint intervention adds a significant new element to a planned meeting of environment ministers on June 25, at which a renewed confrontation is already expected between West Germany and other member states over the Commission's proposed standards.

Even the West German motor industry, which has rushed to produce catalyst-equipped cars as government and environmentalist pressures have mounted, and which has often appeared to favour catalysts, has signed the submission to M Delors.

The UK Minister, Mr William Waldegrave, has already launched a fierce attack on the Commission's proposed standards, which he says undermined an agreement reached between the ministers in March. They agreed that the standards would be set at a level which would allow relatively cheap "lean-burn" engine alternatives to three-way catalysts to be developed for medium-sized cars, although it was accepted that catalysts would be needed on cars over 2 litres.

Instead, said Mr Waldegrave, those proposed by the Commission not only rule out the lean-burn alternative but are so stiff they would require companies like Jaguar to re-engineer even their catalyst-equipped cars which already meet stringent U.S. standards. Under the

Continued on Page 16

Argentines asked to back wages freeze

BY JIMMY BURNS IN BUENOS AIRES

THE GOVERNMENT of Argentina's President Raul Alfonsin has launched an unprecedented nationwide publicity campaign aimed at securing public support for its draconian anti-inflation measures which were announced late Friday night.

The move came against the background of growing opposition from the General Confederation of Labour, the main trade union organisation, and confirmation that local banks would be closed today and possibly tomorrow to safeguard against a repetition of last week's panic withdrawals of deposits by worried investors.

During the weekend, television, radio and all national newspapers carried spot advertisements and regular statements by Government officials, defending the introduction of a new currency, and a prices and wages freeze, with the slogan "to get out of the crisis we need the co-operation of all Argentines."

In a broadcast on Friday night, President Alfonsin announced a "battle plan" to deal with the country's 1,000 per cent annual inflation rate. He warned that the survival of Argentina's democracy was in danger as a result of the economic crisis and that drastic moves had to be taken.

The new currency the Austral, will be equivalent to 1,000 pesos and start off at 80 Austral cents to the U.S. dollar; that is one Austral will equal $1.25.

Neither the new currency nor the prices and wages freeze are mentioned in the memorandum of understanding to the IMF published last week. But Argentine officials have insisted that the measures had been discussed with and approved by the Fund as a necessary "shock treatment" for the economy and is consistent with a tight fiscal and monetary policy along more orthodox lines.

Persistently high inflation rates in Argentina have provoked serious distortions in prices and wage levels, undermined productivity and led to the creation of one of the most widespread "black" economies in the world.

No Austral notes are expected to be issued for at least two months, but all local trading has begun to be quoted in the new currency from this weekend. The central bank will soon be circulating peso notes

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Editorial Comment, Page 14

HK takes tough line on banks

By David Lascelles, Banking Correspondent, in London

THE BANKING authorities in Hong Kong, the world's third largest financial centre, are taking a tough line on the rapidly growing business of contingent liabilities taken on by banks.

In a note circulated to bankers in the colony they are proposing that such liabilities should have a weighting of one. That means they would rank as full assets and would have to be backed by the same amount of capital as actual loans.

The weighting is double the 0.5 set recently by the Bank of England, the first bank supervisory authority to tighten up the treatment of contingent liabilities. The Japanese authorities are proposing a weighting of 0.3. The weighting is supposed to provide a measure of the risk taken on by a bank in proportion to its capital.

Contingent liabilities include guarantees and standby credits, or other commitments by banks to lend money in given circumstances, including the new note issuance facilities (NIFs) now popular in the Euromarkets, which triggered the Bank of England's move.

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OVERSEAS NEWS

Rupert Cornwell reports from Hanover on a weekend rally to mourn the loss of a German province

Kohl flounders as old Silesia comes to life

THE OLD Silesia of pre-1945 Germany came to life again here for just two days this weekend—long enough to give Chancellor Helmut Kohl one of the most uncomfortable experiences since he became leader of the modern West Germany more than 2½ years ago.

His hour-long speech yesterday was the climax of this year's rally of the associations representing survivors and descendants of the 3m ethnic Germans driven westwards after World War II after being expelled with brutal finality from their province which is now part of Poland.

The occasion, in this 40th anniversary year of the destruction of Nazi Germany, was as laden with frustration and emotion as its setting a packed pavilion at the Hanover industrial fair grounds, is usually clinical and impersonal.

Many beforehand had counselled Herr Kohl to stay away—given the impossibility of both satisfying the nostalgic longings of his immediate audience, while not giving offence to Poland, and further damaging the chances of healing old wounds. In the event, those fears almost certainly were justified.

As he was obliged to, the Chancellor had something for everyone. The "German question," he maintained, was still open. The 1970 treaty between Bonn and Warsaw neither preempted a formal peace settlement of the war, nor did it place the present frontiers of Poland and Germany on a judicial footing.

Respectful

But, Herr Kohl emphasised "one forced migration cannot be reversed by another in the opposite direction." Silesia today was mostly inhabited by Polish families who had made it their home. "We will not call this into question."

As his audience listened sullen but mostly respectful, the Chancellor emphasised how West Germany and Poland had agreed thet the "territorial integrity and sovereignty of all European states in their present borders" was an essential precondition for keeping the peace.

He did promise to press Warsaw to guarantee the human rights of the 700,000 to 800,000 ethnic Germans left in Silesia, and their right to leave Poland if they wished. Bonn moreover desired more exchanges, of young people particularly, to help bring about lasting reconciliation of the two peoples.

But in the meantime, former Silesians should concentrate on keeping alive the memory of their lost *Heimat*, whose culture and spiritual tradition formed part of German history. In concrete terms, Herr Kohl could offer little, and hardly enough to satisfy his charged audience.

He had entered the hall to tumultuous applause as befitted the first federal Chancellor in 20 years to address a Silesian gathering. His mood, however, changed swiftly and visibly for the worse.

Before he spoke, Herr Kohl had to listen, tight mouthed and blinking nervously, while the elegant, silver-haired Herr Herbert Hupka, chairman of the *Ventriebene* or expelee association, scattered phrases like landmines across the field of German-Polish relations.

"The capital of Silesia is still called Breslau," Herr Hupka proclaimed to an enraptured applause. Certainly, he wanted reconciliation with Poland, and the Silesians bed renounced any use of force. "But the Federal Republic of Germany is not the definitive Germany; the real Germany is bigger."

While the Chancellor set out his Government's official position once more, be was beckled by pockets of far right neo-Nazi protestors, for whom Silesia was not merely unjustly lost to Germany, but also has to be regained.

"Widerstand," resistance, they chanted, scattering leaflets accusing Bonn of treachery in letting Silesia go. Numerically they were few—50, maybe 100 out of the 12,000 perhaps in the hall—but it was in their direction that the TV cameras swivelled.

On Saturday the etmosphere was very different. In the cold rain they had gathered, up to 150,000 of them, to remember: mostly old people, from every corner of the post-war West Germany where they bad made new bomes.

Some chattered animatedly in small groups, swapping gossip and photographs of dead relatives and lost family homes in an earlier Germany — in cities with disappeared names like Breslau, Trebnitz, Oppeln, and Hirschberg. Some, who were very old, sat silently, lost in thought.

Traditional

In the background bands played traditional music and, in the atmosphero of a village fete, West Germany'e small "Silesia industry" — peddling anything from tee shirts and history books to exotically named sausages like *Graupenwurst* and *Semmelwurst* from the lost homeland — made a small fortune. Girls in traditional long skirts and lace bonnets danced, while young men paraded flags.

Mainly, however, it was an occasion for the old. True, middle aged fathers pointed out on war maps where they were born to hardly comprehending children, and the official rally slogan of "Silesia remains our future in a Europe of free peoples" beamed forth from behind the speakers' podium.

"Silesia is not yet lost" read another banner opposite. But the tangible frustration and emotion of Sunday suggested nothing so much that many present knew it was lost. In 20 years' time, few will be alive who have any detailed recollection of home beyond the Oder-Neisse line.

"What a sorry spectacle; I should have stayed at home. He (Kohl) did not have much to offer, and the Poles have got it now," someone said, typically, among the thousands streaming away after tha Chancellor had spoken. Then it was back to the sausages, the dancing, dreary discussion of the eternal "German question" — and to the memories.

Swiss bankers fight OECD attempt to ease bank secrecy

BY WILLIAM DULLFORCE IN GENEVA

SWISS bankers are urging their government to veto in the Organisation for Economic Co-operation and Development a draft recommendation calling on governments to amend bank secrecy regulations so that information can be passed across frontiers to tax authorities.

The Federal Council (government) is understood to favour abstaining from voting in the OECD council rather than apply a veto. A veto would halt any further consideration of the recommendation.

The issue is to be debated in the Swiss parliament today after interpolations by two members. One, from Mr Paul Eisenring, a Christian Democrat MP, asks for a "clear and determined rejection" by the Swiss OECD delegation.

The draft recommendation, formulated by the OECD Fiscal Affairs Committee, does not mention Switzerland but Swiss bankers have no doubt that it is directed essentially at their country.

The bankers note that it is supported by the U.S. and is regarded as one more example of pressure on Swiss legal sovereignty.

The U.S. Department of Justice has on several occasions over the past few years pressed Switzerland to hand over information available in Swiss banks and needed in prosecuting tax fraud cases in U.S. courts.

Under Swiss law the banks are prohibited from divulging information about customers, unless ordered to do so by a magistrate investigating a criminal case. Last year the Swiss electorate in a referendum rejected proposals to relax banking secrecy.

The OECD recommendation asks governments to amend bank secrecy provisions "with a view to increasing the availability of information to tax authorities." It also calls on them to develop "exchanges of bank information" under double taxation conventions.

The OECD Council is due to consider the recommendation early next month. Its approval would not be legally binding but would provide a guideline for action by governments.

If the Swiss Federal Council complies with this reqnest, Austria, Luxembourg and other countries with reservations about the recommendation are likely to follow suit.

Eanes plans to consult Council of State

BY OUR LISBON CORRESPONDENT

PRESIDENT ANTONIO Ramalho Eanes will consult the Council of State today in his search for a solution to Portugal's government crisis.

Major parties, from the pro-Soviet Communists to the Christian Democrats, havo urged General Eanes to dissolve parliament two years early and set a date for a ballot to settle tho upheaval caused by tho resignation of the Social Democrats from the two-year-old coalition.

The only exception is the Socialist party of Sr Mario Soares, the Prime Minister, who has emphasised the high costs of throwing Europe's poorest country into an election campaign thet will paralyse government decision-making during the crucial preparation period for Portugal's entry into the EEC in Jannary.

Early parliamentary electione would not result in a significant shift in the party political balance of power, the Prime Minister argues with the support of several polls. Followed by Presidential and local elections at the end of the year, be contends they would merely launch Portugal into a protracted period of divisive campaigning with highly damaging results for economic recovery

General Eanes'a own inclinations appear to lean away from the upheaval of an early election thet he must call before July 14, aix months before the end of bis second five-year term. But the opposition of major parties apart from the Socialists could make eny other solution including the minority Socialist government or a Presidential executive unworkable.

Portugal's economic situation will weigh heevily in Gen Eanes'e decision. Sr Vito Constancio, the Governor of the Bank of Portugal, has informed the President that the country's gold and dividend reserves increased by Esc 135bn ($770m) between January and Mey. But he said the government crisis was alreedy having a negative effect.

The implication is that after two years of tough austority that have averted a foreign debt crisis and posed the country for gradual industrial and agricultural modernisation, a new political crisis is again threatening to undermino international confiden

UN agricultural fund may tap commercial markets

BY ANDREW GOWERS IN ROME

THE International Fund for Agricultural Development (IFAD), the beleagured United Nations agency which aims to assist peasant farmers in the Third World, is to consider the possibility of tapping commercial markets for funds in the face of the continuing crisis over donations from its members.

Senior fund officials said in Rome at the weekend that this was one of a series of options likely to be considered in a wide ranging review of tho organisation's structure, activities and finances in coming months.

They stressed, however, that the immediate priority for Mr Idriss Jazairy, the fund's Algerian President, was to try and obtain agreement on an overdue second replenishment from donors, which include 20 industrialised nations and 12 oil producing states.

Negotiations on contributions for tho next three year period starting in 1985 began two years ago, but have become deadlocked over the U.S.'s refusal to accept a funding compromise agreed by other donors earlier this year.

Washington insists that the compromise, under which members of the Organisation of Petroleum Exporting countries would cut tho proportion of the Fund's total capital which they supply, represents an unacceptable erosion of the partnership between developed and oil producing states on which the Fund was originally established.

Mr Jazairy said he could detect no change in the Reagan Administration's position on a visit to Washington 10 days ago, and there are no immediate plans for another donor's meeting.

In its first seven years of operation, IFAD has financed 160 projects in 84 developing countries at a cost of $8bn (£6.3bn) of which $2bn came from its own resources and the rest was mobilised by other donors or the recipient countries themselves.

It has attracted considerablo praise as one of the few agencies specialising entirely in the long term development of Third World agriculture as opposed to omergency relief.

However, it seems certain that, even if the current funding dispute is resolved, IFAD will have considerably less money at its disposal than hitherto. The latest compromise proposals, considered at a meeting in Rome last month, would give it a replenishment totalling $600m over the three years ending in 1987 — less than 60 per cent of the total for the previous three years.

Mr Jazairy intends to ask members—possibly at a meeting of IFAD's governing council next January—whether it could be allowed to supplement funds received from them with commercial borrowing. Officials emphasise that this could at best be only a partial solution, as all IFAD's lending is to some extent on concessional terms.

Donors will also be asked to reconsider the basis of IFAD's funding, particularly in view of the worsening financial difficulties of many Opec countries.

Italy's trade deficit widens

ITALY'S TRADE deficit is continuing to worsen, widening in April to L3,345bn ($1.7bn), nearly double the level of April, 1984, and close to the record monthly trade deficit of L3,518bn last November, *Alan Friedman writes from Milan.*

The April deficit, caused largely by rising energy imports, brings tho total for the first four months of this year to L11,564bn ($5.9bn). This is equivalent to 60 per cent of last year's record trade deficit of nearly L19,000bn.

Trade in manufactured and other products, was roughly in equilibrium in April but heavy energy imports resulted in a 21.4 per cent rise in total imports, to L14,356bn while total exports increased by only 9.4 per cent to L11,010bn. The April deficit was 40 per cent higher than the L2,383bn March deficit.

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW ISSUES (A), WATLING STREET, LONDON EC4M 9AA NOT LATER THAN 10.00 AM ON THURSDAY, 20TH JUNE 1985, OR AT ANY OF THE BRANCHES OF THE BANK OF ENGLAND OR AT THE GLASGOW AGENCY OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON WEDNESDAY, 19TH JUNE 1985

ISSUE BY TENDER OF £400,000,000

3 per cent TREASURY STOCK 1990

MINIMUM TENDER PRICE £75.75 PER CENT.

PAYABLE IN FULL WITH TENDER

INTEREST PAYABLE HALF-YEARLY ON 8TH MAY AND 8TH NOVEMBER

This Stock is an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the Council of The Stock Exchange for the Stock to be admitted to the Official List.

THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND are authorised to receive tenders for the above Stock.

The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.

The Stock will be repaid at par on 8th May 1990.

The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Transfers will be free of stamp duty.

Interest will be payable half-yearly on 8th May and 8th November. Income tax will be deducted from payments of more than £5 per annum. Interest warrants will be transmitted by post. The first interest payment will be made on 8th November 1985 at the rate of £1.1590 per £100 of the Stock.

Tenders must be lodged at the Bank of England, New Issues (A), Watling Street, London EC4M 9AA not later than 10.00 AM ON THURSDAY, 20TH JUNE 1985, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 PM ON WEDNESDAY, 19TH JUNE 1985. Tenders will not be revocable between 10.00 am on Thursday, 20th June 1985 and 10.00 am on Tuesday, 25th June 1985.

Each tender must be for one amount and at one price. The minimum price, below which tenders will not be accepted, is £75.75 per cent. Tenders must be made at the minimum price or at higher prices which are multiples of 25p. Tenders lodged without a price being stated will be deemed to have been made at the minimum price.

Tenders must be accompanied by payment in full, i.e. the price tendered (minimum of £75.75) for every £100 of the nominal amount of Stock tendered for. A separate cheque must accompany each tender; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

Tenders must be for a minimum of £100 Stock and for multiples of Stock as follows:—

Amount of Stock tendered for	Multiple
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

Her Majesty's Treasury reserve the right to reject any tender or part of any tender and may therefore allot to tenderers less than the full amount of the Stock. Tenders will be ranked in descending order of price and allotments will be made to tenderers whose tenders are at or above the lowest price at which Her Majesty's Treasury decide that any tender should be accepted (the allotment price), which will be not less than the minimum tender price. All allotments will be made at the allotment price: tenders which are accepted and which are made at prices above the allotment price will be allotted in full; tenders made at the allotment price may be allotted in full or in part only. Any balance of Stock not allotted to tenderers will be allotted at the allotment price to the Governor and Company of the Bank of England, Issue Department.

Letters of allotment in respect of Stock allotted, being the only form in which the Stock may be transferred prior to registration, will be despatched by post at the risk of the tenderer, but the despatch of any letter of allotment, and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the tenderer's cheque has been paid. In the event of such withholding, the tenderer will be notified by letter by the Bank of England of the acceptance of his tender and of the amount of Stock allocated to him, subject in each case to payment of his cheque, but such notification will confer no right on the tenderer to transfer the Stock so allocated.

No allotment will be made for a less amount than £100 Stock. In the event of partial allotment, or of tenders at prices above the allotment price, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the tenderer; if no allotment is made the amount paid with the tender will be returned likewise. Non-payment on presentation of a cheque in respect of any Stock allotted will render the allotment of such Stock liable to cancellation. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ('LIBOR') plus 1 per cent per annum may, however, be charged on the amount payable in respect of any allotment of Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

Letters of allotment may be split into denominations of multiples of £100 on written request received by the Bank of England, New Issues, Watling Street, London EC4M 9AA on any date not later than 24th July 1985. Such requests must be signed and must be accompanied by the letters of allotment. Letters of allotment, accompanied by a completed registration form, may be lodged for registration forthwith and in any case they must be lodged for registration not later than 26th July 1985.

Tender forms and copies of this prospectus may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA, or at any of the Branches of the Bank of England, or at the Glasgow Agency of the Bank of England, 25 St. Vincent Place, Glasgow G1 2EB; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; at Mullens & Co., 15 Moorgate, London, EC2R 6AN; or at any office of The Stock Exchange in the United Kingdom.

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND, LONDON.
14th June 1985.

THIS FORM MAY BE USED

TENDER FORM

This form must be lodged at the Bank of England, New Issues (A), Watling Street, London EC4M 9AA not later than 10.00 AM ON THURSDAY, 20TH JUNE 1985, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England (25 St Vincent Place, Glasgow G1 2EB) not later than 3.30 PM ON WEDNESDAY, 19TH JUNE 1985.

ISSUE BY TENDER OF £400,000,000

3 per cent Treasury Stock, 1990

MINIMUM TENDER PRICE £75.75 PER CENT.

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

I/We tender in accordance with the terms of the prospectus dated 14th June 1985 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of £100 and in a multiple as follows:—

Amount of Stock tendered for	Multiple
£100—£1,000	£100
£1,000—£3,000	£500
£3,000—£10,000	£1,000
£10,000—£50,000	£5,000
£50,000 or greater	£25,000

1. NOMINAL AMOUNT OF STOCK £

Sum enclosed, being the amount required for payment in full, i.e. the price tendered (minimum of £75.75) for every £100 of the nominal amount of Stock tendered for (shown in Box 1 above):—

2. AMOUNT OF PAYMENT (a) £

The price tendered per £100 Stock, being a multiple of 25p and not less than the minimum tender price of £75.75:—

3. TENDER PRICE (b) £ : p

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below.

SIGNATURE ....
or on behalf of, tenderer

.................June 1985

PLEASE USE BLOCK LETTERS

MR/MRS MISS	FORENAME(S) IN FULL	SURNAME
FULL POSTAL ADDRESS		
POST TOWN	COUNTY	POSTCODE

FT

a A separate cheque must accompany each tender. Cheques should be made payable to "Bank of England" and crossed "New Issues". Cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

b The price tendered must be a multiple of 25p and not less than the minimum tender price. If no price is stated, this tender will be deemed to have been made at the minimum tender price. Each tender must be for one amount and at one price.

IEA warns on capacity

Output 'threatened by shortage of power plants'

BY IAN HARGREAVES

MANY electric utilities could find themselves short of capacity in the 1990s if plant construction times continue to lengthen and demand for electricity turns out to be slightly higher than expected.

This warning note is sounded today in a comprehensive review of the electric power industry published by the Paris-based International Energy Agency.

The agency says electricity demand could grow in the next 15 years at anything between 2.2 and 3.7 per cent a year. Although most countries have surplus power station capacity, typically between 5 and 15 per cent according to the study, the agency thinks more power stations are needed.

Changing environmental pressures and the economics of different fuels make many stations ripe for replacement, it says. On current plans, the IEA countries (the main developed countries except France) will add 2.3 per cent a year to power station capacity up to 1990 and only 1.2 per cent a year from 1990 to 1995.

Simplicity

"The existence of surplus capacity should not be allowed to prejudice decisions to go ahead with more economic new capacity," the report says.

The study notes a steady lengthening of the time it takes to build new stations. It takes 11.7 years to build the average nuclear plant, compared with 5.9 years a decade ago. For a solid fuel plant, construction time has increased from an average 4.8 years to an average 6.4 years.

Performance, however, varies greatly between countries—13.4 years for e nuclear plant in the U.S., against 5.9 years in France. The agency saya this indicates there is much room for improvement by simplifying administrative procedures.

The report also urges action in other key areas:

● Prices and regulation: Prices should reflect the full cost of producing electricity. Italy, Portugal, Spain and Turkey are criticised for holding down prices in the interests of social, regional or industrial policies. Regulatory systems should be flexible, like Britain's. The U.S. regulatory system is blamed for being too rigid.

● Competition: "There is little scope for introducing competition into the transmission and distribution of electricity." But the report argues that there could be scope for more competition between bulk generators of electricity. In this area competition could lead to more innovation.

● Trade: more needs to be done to promote international trade in electricity, by constructing inter-regional transmission lines, easing licensing procedures and promoting better co-operation between utilities. This would cut costs and enhance the security of electricity supplies.

● Environment: controls are necessary to reduce power station pollution, but they should be "as clear and predictable as possible."

● Research: more than 87 per cent of IEA governments' research and development goes into nuclear power. The IEA supports the emphasis on fast breeder nuclear developments and into fusion energy. But it also urges members to focus on research into improving the environmental acceptance of power generation, enhancing safety procedures and developing battery storage systems.

In a country by country review, the report singles out several issues for attention in each. The UK is criticised for ineffective central co-ordination of its industry.

Electricity in IEA countries. Issue and outlook. From OECD sales egents.

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THIS NOTICE DOES NOT CONSTITUTE AN OFFER FOR SALE AND THE STOCK DESCRIBED BELOW IS NOT AVAILABLE FOR PURCHASE DIRECT FROM THE BANK OF ENGLAND. OFFICIAL DEALINGS IN THE STOCK ON THE STOCK EXCHANGE ARE EXPECTED TO COMMENCE ON MONDAY, 17TH JUNE 1985.

ISSUE OF GOVERNMENT STOCK

The Bank of England announces that Her Majesty's Treasury has created on 14th June 1985, and has issued to the Bank, an additional amount as indicated of the following Stock:

£200 million 2½ per cent INDEX-LINKED TREASURY STOCK, 2013

The price paid by the Bank on issue was the middle market closing price of the Stock on 14th June 1985 as certified by the Government Broker.

The amount issued on 14th June 1985 represents a further tranche of the Stock, ranking in all respects pari passu with the Stock and subject to the terms and conditions of its prospectus (save as to the particulars therein which related solely to the initial sale of the Stock), and subject also to the provision contained in the final paragraph of this notice. Copies of the prospectus for the Stock dated 15th February 1985 may be obtained at the Bank of England, New Issues, Watling Street, London, EC4M 9AA.

Application has been made to the Council of The Stock Exchange for the further tranche of the Stock to be admitted to the Official List.

The Stock will be repaid on 16th August 2013 (provision is made in the prospectus for stockholders to be offered the right of early redemption under certain circumstances).

Interest is payable half-yearly on 16th February and 16th August. The further tranche of the Stock will rank for the interest payment of 1.3250 per cent due on 16th August 1985 on the existing Stock.

Both the principal of and the interest on the Stock are indexed to the General Index of Retail Prices. The Index figure relevant to any month is that published seven months previously and relating to the month before the month of publication. The Index figure relevant to the month of issue of the Stock is that relating to the June 1984 (351.9). This Index figure will be used for the purposes of calculating payments of principal and interest due in respect of the further tranche of the Stock.

The relevant Index figures for the half-yearly interest payments on the Stock are as follows:

Interest payable	Relevant Index figure: Published in	Relevant Index figure: Relating to
February	July of the previous year	June
August	January of the same year	December

Government statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29th May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this further tranche of stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON
14th June 1985

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OVERSEAS NEWS

Police use tear gas as Soweto marks uprising

BY ANTHONY ROBINSON IN CAPE TOWN

POLICE FIRED tear gas to disperse a crowd of several thousand people outside the Regina Mundi church in Soweto last night after a group of youths leaving a service to commemorate the ninth anniversary of the 1976 Soweto uprising threw stones at police vehicles.

The incident, with no casualties reported, followed a four-hour commemorative service during which black clerics, politicians and trade union leaders appealed for an end to intra-black violence and unity in the struggle against apartheid.

Bishop Desmond Tutu, speaking before a packed audience of around 4,000fi appealed to blacks "not to dishonour our martyrs and undermine our righteous, just and noble struggle for freedom by violent conflicts which discredit our cause."

The bishop and other church leaders have been in the front of delicate negotiations aimed at ending the feud between the anti-apartheid umbrella organisation, the United Democratic Front (UDF), and the black consciousness Azanian Peoples Organisation (Azapo).

The appeals for unity were backed by speawers from the two main trade union feredations, the Council of Unions of South Africa (UCSA) and the Federation of South African Trade Unions (Fosatu).

The Soweto anniversary is one of the most emotive dates in South African history, recalling the nprising by black students on June 16, 1976, against a government decision to use the Afrikaans language for instruction, when nearly 600 lives were lost.

This year's anniversary was marked by a bomb blast in Durban and sporadic incidents of violence in the Eastern Cape hut by early evening was calmer than what has become normal after ten months of almost daily rioting.

most daily rioting, stonethrowing and arson in townships around the country.

Earlier the police had warned about the possibility of bomb and other attacks by units of the banned African National Congress (ANC) to coincide both with Soweto Day and the opening of a special ANC congress in an unspecified southern African country.

● South Africa today instals an interim government in the disputed territory of Namibia, amind pomp and ceremony and despite international antagonism, Reuter reports from Windhoek.

Tight security is evident in Windhoeck, the capital, where South African President Mr P. W. Botha will hand over all government powers except security and foreign affairs to a loose coalition of black and white politicians.

Panama reschedules debt and floats bonds

By Peter Montagnon, Euromarkets Correspondent

PANAMA has achieved the unique distinction of being the first Latin American nation to launch an international bond issue at the same time as it agreed a $880m debt rescheduling packaga with its main bank creditors.

The package, which involves rescheduling of $603m in debt falling due this year and next as well as new $60m medium term loan, follows agreement in April with the International Monetary Fund on a $120m, two-year standby loan.

Separately, Citibank said over the weekend it is arranging a $20m, seven-year floating rate note issue for Panama which will be placed privately with investors and listed on the London stock exchange.

The floating rate note issue is entirely separata from the rescheduling package and bankers say it marks an encouraging if modest sign of investor interest in voluntary lending to a country which faces e rescheduling. Panama's total debt is $3.7bn.

Bank of America, which chaired the bank creditors negotiating committee with Panama, said on Friday the rescheduling package includes a $60m, nine-year loan bearing interest at a margin of 1⅞ per cent over London Eurodollar rates or 1¼ per cent over U.S. prime.

Medium-term debt falling due up till the end of 1986 is to be rescheduled over 12 years at a margin over 1⅞ per cent over Eurocurrency rates or relevant domestic rates. Banks are also being asked to maintain $217m in short term credits to provide working capital, money market lines and finance oil imports.

The country's 175 creditor banks are being asked to reply to the proposals by July 8

Sarnay dilemma over IMF demand

BY ANDREW WHITLEY IN RIO DE JANERIO

THE BRAZILIAN Government has to decide in the coming days on deep public expenditure cuts being demanded by the IMF, to allow negotiations on a new standby loan to resume next week as planned.

After two weeks of gruelling negotiations an IMF technical team left Brazil for Washington on Friday, leaving President Jose Sarnay with the most difficult dilemma his three-month-old government has faced.

If he agrees to cut state spending over the remaining six months of this year by up to Cru 70,000bn ($12.3m or £9.6m at todays exchange rate) as the IMF would like, President Sarney risks pushing Brazil back into recession and alienating his political supporters.

But if be attempts to compromise and allows the negotiations to drag on, Brazilian officials believe there is a serious risk that the $16bn in short-term trade and inter-bank lines extended to the country could evaporate, thrusting Brazil unnecessarily, back into a foreign exchange crisis.

According to Snr Carlos von Doellinger, a senior finance ministry official and member of the Brazilian negotiating team, some difficult points remain to be settled but the first round of discussions did produce a "general understanding" between the two sides.

Providing the Brazilian Government overcomes this week's hurdle on public expenditure cuts the envisaged timetable is the following: negotiations will resume next week or in the first week of July to draft the letter of intent. These talks have to he completed by mid-July at the latest to allow for the usual one month before the programme is presented to the IMF board.

The board is scheduled to discuss the Brazilian programme in mid-August, just two weeks before the latest extension of bank debt renegotiation terms accorded by Brazil's creditors expires.

If agreement is reached, the adjustment programme will run for 18 months, commencing either on July 1 or August 1. In return Brazil will receive a $1.5bn loan.

The focus of the Brazilian negotiations has been almost exclusively on the country's public sector deficit, now estimated for 1985 at Cru 102,000bn ($16.7bn) at the year's average exchange rate.

There is little disagreement with the IMF on the external balance of payments projections.

The sticking points have been the severity of the adjustment measures for this year, instead of 1986, and measures for bringing the public sector deficit down to a mutually acceptable figure.

On Friday Snr Joao Sayad, the Planning Minister—a hardliner on the debt talks—submitted to President Sarnay a package of public expenditure cuts totalling Cru 23,000 bn, a third of the amount the IMF wants.

Details of the proposed cuts were not divulged but even this total—designed to avoid mass dismissals in the state sector and preserve the goal of 4 per cent national growth this year—is likely to come under heavy fire from the traditionally independent major state companies.

Manitoba laws overturned by Supreme Court

By Robert Gibbens in Montreal

THE SUPREME Court of Canada, in a unanimous decision, has found thaat 4,500 laws enacted in the Province of Manitoba between 1890 and 1982 are unconstitutional and must be translated into French and re-enacted in the provincial legislature.

The landmark decision means that Manitoba legally returns to a bicultural and bilingual province, as it was before joining Coofederation more than a century ago.

Then the population was half English-speaking and half French-speaking. Later, as hundreds of thousands of immigrants poured in from Ontario and Britain, the French-speakers became a small minority and successive provincial governments took away French rights, passing laws in English only and suppressing French schools.

Chairman of Goodyear attacks Reagan tax plan

BY TERRY DODSWORTH IN NEW YORK

MR ROBERT MERCER, chairman of the Goodyear Tyre Group, has delivered a blistering attack on President Reagan's latest tax proposal, saying it will have a negative impact on jobs, economic growth and the ability of U.S. manufacturers to compete internationally.

In testimony before the House Ways and Means Committee, Mr Mercer said that the government would he reneging on its commitment to help industry recover its investments in new machinery and equipment as quickly as possible to improve competitiveness.

Mr Mercer's comments are by far the strongest public denunciation of the Administration's tax proposal by a chairman of a leading U.S. corporation. He was speaking for the Coalition for Jobs, Growth and International Competitiveness, a group of 17 manufacturers of which be is co-chairman.

He singled out for special criticism the investment tax credit, lengthening capital cost recovery and o penalty tax on accelerated repreciation already taken.

These measures would increase business taxes well beyond the savings produced by a reduced corporate income tax rate.

Industry's alternative to the capital investment philosophy embodied in the plan would he to export investments to locations with capital incentives. More products would then he imported into the U.S.

"Many of you have expressed concern over the significant trade imbalance which exists and its potential future impact. We should not be moving tax policy in a direction which encourages more of the same."

N. Zealand voters deal blow to Labour

By Dai Hayward in Wellington

NEW ZEALAND'S Labour Government lost a seat it has held for 57 years, the provincial town of Timaru, in a crushing by-election defeat on Saturday. Although Labour leaders had braced themselves for an election loss they were stunned by the size of the victory scored by National's Maurice McTigue, which showed a 10 per cent swing from Labour to National.

Voters rejected Labour's economic policies but particularly the proposed Goods and Services Tax and New Zealand's equivalent of VAT.

Prime Minister David Lange said the defeat will not change Labour's plans, but within hours of the result his deputy, Geoffrey Palmer, announced that the Goods and Services Tax would be postponed for at least six months. It was to have come into force on April 1.

Turkish police win drastic new powers

By David Barchard in Ankara

AFTER stormy scenes in the Turkish Parliament, the Ankara Government has pushed through legislation giving drastic new powers to the police force.

Mr Turgut Ozal, the Prime Minister, denounced claims by the main opposition parties that the law was the first step towards the establishment of a police state. However, there is widespread apprehension about the longtime effects of the law.

There has already been a major clash with the European Community over the legislation, after the Community made it known that the law would destroy the credibility of Turkey's claim that it was making a steady transition back to parliamentary democracy.

The law will give the police wide discretionary powers, including the right to use force and to prevent possible offences being committed. Legal sanctions for police abusing their powers have been softened and the police force will pay for the defence of any policeman who goes on trial because of his professional conduct.

Persons without adequate identity cards, couples walking arm in arm, anyone under the influence of alcohol or improperly dressed can he detained for up to 24 hours. Police will not have to show identity cards even when in plain clothes.

The police will be able to tap telephones and intercept mail provided a judge issues an authorisation. Previously only Turkey's intelligence services were able to do so. Powers of arrest and search have been widened

Mr Necdet Calp, the main opposition leader in parliament who was previously permanent under-secretary in the Prime Minister's office, has described the law as "a torturer's charter." The Government says the law is necessary to combat terrorism and permit the lifting of martial law.

Iran 'within four miles of Baghdad-Basra highway'

BY OUR MIDDLE EAST STAFF

IRAN claimed yesterday that its forces had penetrated to within 4 miles of the highway which links the Iraqi capital Baghdad with the southern port city of Basra.

Tehran said that over 60 square miles of territory had been seized in an offensive launched in the Hawizah marshes on Friday night.

Iran launched a major offensive in this region last March and despite suffering heavy casualties was successful in capturing a narrow slice of Iraqi territory. Western military sources in Baghdad believe that Iran may even have been able to hold on to several positions on firm land just east of the Tigris river.

Iraq has not confirmed an Iranian offensive but military communiques spoke of helicopter gunships flying a series of missions east of Basra and the Tigris.

It has been confirmed in Baghdad that an Iranian missile hit the capital on Saturday and several border towns were also shelled.

The Iranian attacks came shortly after President Saddam Hussein announced that Iraq was suspending its air raids on Iran for 15 days so that the regime could reconsider its attitude towards peace negotiations.

Iran reported yesterday that 715 people had been killed or wounded during a series of Iraqi raids on its cities on Friday.

UN 'would have considered using force to free Finns'

BY OLLI V. VIRTANEN IN HELSINKI

UNITED NATIONS troops in Lebanon would have considered a military option if all other efforts to release 21 Finnish troops held by the Israeli-backed South Lebanon Army had failed.

Mr Brian Urquart, the UN assistant secretary general, told Finnish officials here that a military rescue mission would have been the last resort. He was in Helsinki to report on the successful outcome of the crisis which government officials said had placed a "heavy strain on Finnish-Israeli relations."

Mr Urquart said that investigations carried out both by UN officers and the International Red Cross confirmed that the Finns had not played any part in the defection of 11 SLA militiamen to the Shi'ite Amal militia. The SLA accepted that the men had defected voluntarily.

The future of UN forces in Lebanon will be discussed this week in New York when Mr Perez de Cuellar, the Secretary General, has received a full report on the incident. Mr Urquart commented at a news conference here that while the troops generally have a positive impact there could he circumstances under which it would be difficult to recommend an extension of their mandate.

AP adds: President Koivisto of Finland sent a telegram to the Finnish Unifil battalion thanking the peace-keepers for the "admirable discipline and self-control" they showed throughout the drama.

The Finnish Government held a low profile throughout the eight-day seizure of the Finnish soldiers trusting the personal pledges of Israeli Government leaders that Israel would look after the "lives, health and safety" of the hostages.

WORLD TRADE NEWS

Financial Times reporters analyse White Paper proposals by the European Commission to create a genuine common market by 1992

Priority given to ending frontier controls

THE European Commission is advocating some 300 measures or sets of measures to create an EEC internal market without barriers by 1992.

Measures range from the detailed, like a system of certification in reproduction materials for decorative plants, to the generally economic like harmonisation of taxes on securities transactions.

Progress towards creating a genuine common market slowed in the 1970s and, over the past decade, political leaders have proved better at making general declarations in its favour than taking the measures to bring it about.

The White Paper is split into three main sections: the removal of physical barriers; the removal of technical barriers; and the removal of fiscal barriers ,with a timetable for action running into the next decade.

THE REMOVAL of physical barriers to the free movement of peopla and goods throughout the EEC is both necessary on economic grounds snd highly desirable on political grounds, the White Psper suggests, **Quentin Peel writes.**

Lord Cockfield, commissioner responsible for the internal market, estimstes the cost to European industry of coping with the continued proliferation of frontier controls adding np the delays, handling charges, paperwork and need to bold extra stocks, at some Ecu 7bn (£4.2bn). It is "a totally unnecessary cost loaded onto industry and the price of goods we produce," he says.

His White Paper also underlines the political Incentive. "There is no area in which progress, where it can be made, would be more visible or more directly relevant to the aims, ambitions and visions of the Community," it says.

The objective to remove all frontier controls can be achieved in two ways, it argues: either by removing the underlying reasons for them, such as the existence of national differences in indirect tax rates, health and safety regulations, immigration policies and import policies; or by enforcing the controls (on drug-trafficking and terrorism, for example) somewhere other than at frontiers.

On both the movement of goods and of people, the Commission is seeking a commitment from member states not to introduce any new or more stringent controls. States are also urged to step up bilateral co-operation, to avoid, for example, duplicating controls on both sides of frontiers.

As far as import policies are concerned, border controls are needed to enforce national or regional quotas, wherever they differ from the Community's common external trade policy. The White Paper says it is "not unreasonable" to aim at abolition of all such quotas by 1992 but then admits "there may well be considerable problems to overcome."

Another problem area is the existence of exchange controls maintained by France, Italy, Ireland and Greece. No timetable for their abolition is suggested, but whatever happens, they will have to be imposed somewhere other than at frontiers by 1992, the Commission says.

Enforcement of health regulations on the movement of animals, animal products and plants, produces several specific recommendations:

- Slow but steady progress on harmonising health standards;
- Animal prodncts to receive a Community bealth mark to show they comply with agreed standards;
- Checks carried out at the place of departure and destination;
- Appointment of Community inspectors to ensure that individual member states are checking properly;
- New rules of liability to prevent fraud or negligence.

On transport, the present system of national quotas "must be progressively relaxed and abolished" and safety checks simply carried out away from borders.

The movement of people involves highly sensitive political areas, above all how to control drugs, terrorism and illegal immigration, as well as the whole area of tax checks on smuggling (dealt with under fiscal measures).

The Commission argues that frontier controls are "by no means the only or indeed the most effective measures" to counter terrorism and drug-trafficking. Member states can improve controls at their external borders, use more spot checks, and above all step np their co-operation between police forces.

Other measures will be needed, sucb as:

- Approximation of arms legislation, so there is no great incentive to buy in countries witb less strict laws.
- Approximation of drugs legislation, to be put forward in 1987.
- A two-phase co-ordination of immigration policies, with 1988 as the deadline for aligning rules of residence, entry and employment, and 1990 for agreeing on rights of asylum and the position of refugees.

Cockfield: "unnecessary costs"

Commission tackles national barriers

THE SECOND section of the Commission's internal market programme seeks to come to terms with what happens behind national borders to prevent the supply of goods and services and the movement of people from one country to another, writes **Paul Cheeseright.** It deals with the technical restrictions which would make irrelevant the removal of border controls *in isolation.*

It adopts the general approach for the freedom of movement in goods that has already been applied by the EEC in the formulation of its new approacb to standards: keep the Community legal framework to the minimum. The idea is to harmonise around basic requirements and step up the degree of mutual recognition of each other's regulations.

In the background would be the general principle that, as the White Paper puts it: "If a product is lawfully manufactured and marketed in one member state, there is no reason why it should not be sold freely throughout the community."

Harmonisation of national regulations bas been a bugbear for years, with endless negotiations over matching up product standards: the Commission's response to this is to urge the Council of Ministers not to get too involved, and to delegate, just as it does for customs qnestions, the technical questions.

The Commission, having said that, does not want the progress already made to be eroded. So it is seeking to extend into sll industrial sectors the standstill on the promulgation of national regulations. When one state draws up new regulations it has to *inform* the others who can protest and freeze the measure. Absentees so far include food products and pharmaceuticals.

All of this might make llfe easier for tbe private sector, but it is the public authorities who are *often the most protectionist* bodies in the community. Public procurement directives exist. In an effort to see they sre observed more rigorously than at present, the Commission plans to start talks with national governments on making the tendering systems more obviously open.

It also wants the level at *which* open tendering becomes obligatory to be revised, and plans to put up proposals extending the range of the public procurement directives into energy, transport, water and telecommunications.

Goods trade, however, is not the only problem. "It is no exaggeration to see the establishment of a common market in services as one of the main preconditions for a return to economic prosperity," says the Whita Paper.

The common market in services, despite the Treaty of Rome, bas been blocked by the member states: the Commission pleads with the Ten to deal with proposals for banking and insurance which have been debated for years.

It brings intn play the same principle for financial products as it applies tn goods. The primary task of supervising a financial institution should rest with the state *of origin;* the state where the product is being sold would just have a complementary role.

Meanwbile, the Commission is working up rule proposals on, for example, solvency of credit institutions and supervision of mortgage institutions. Liberalisation of capital movements is linked to the provisioo of financial services. Here, the Commission stresses that any restraints should be short-term and phased out as the difficulties wbich necessitated them are removed. It promises to step up monitoring of exchange controls—applied in France, Ireland and Italy.

VAT regimes face harmonisation

THE WHITE PAPER is completely uncompromising on the need to bring VAT and excise taxes in the member states roughly into line with each other, writes **Nicholas Colchester.**

"Let us be quite clear that we are talking bere not in terms of frontier facilitation, but in terms of removing frontiers altogether.

"No means exist of removing the frontier controls, and thus the frontiers, if there are significant tax and corresponding price differences between *the member states.*"

The paper's demand for fiscal "approximation" within the community is based mainly on this premise that the frontier controls will be going by 1992, bnt it does seek flanking support from earlier tax directives adopted by the member states.

It cites in particular the sixth VAT directive of 1977 whicb stated tbat: "It should be ensured thst the common system of turnover taxes is non-discriminatory as regsrds the origin of goods and services so that a common market permitting fair competition and resembling a real internal market may ultimately be achieved."

The paper analyses the differences in the VAT and excise regimes that have to be tackled. It *finds that most member* states raise in the region of 10 per cent of gross domestic product in revenue from indirect taxation—thst is, VAT and excise tax taken together—and that "looked at in this way approximation (of taxes) presents a manageable budgetary problem for most member states, and would not seriously disturb the existing relationship between direct and indirect taxation."

The chief exceptions here are Ireland and Denmark, both of whose indirect tax take is above 15 per cent of GDP.

The problem, says the paper, is the widely different breakdowns of indirect taxation in different countries. Ireland and the UK, for instance, apply zero rates of VAT to a wide *range of goods snd services* including food, with the result that VAT affects abont 40 per cent of private consumption in those two countries as against 90 per cent in the rest of the EEC.

The pattern of excise duties sbows wide variations

The paper concludes that in terms of VAT, member states could preserve a significant degree of flexibility on rates; a five percentage point band from 14 to 19 per cent, for example, would embrace the standard rates now charged by six of the nine member states. A five point margin looks small, however, when set against some of the current national differences in excise taxes.

The Commission lays out an ambitious programme of directives to move towards sufficient tax approximation to allow the lifting of border controls in 1992. They would reduce fiscal independence of members *quite quickly:* slready in 1986 governments would have to agree not to move their VAT and excise rates further sway from "bands" laid down by the Commission as the targats for 1992.

EXAMPLES OF EXCISE DUTIES

Duty in Ecu in March, 1985, on:

	20 cigarettes	1 litre beer	1 litre wine	75 centilitre of 40% spirits	1 litre prem. petrol	Revenue in % of GDP*
Belgium	0.73	0.13	0.33	3.78	0.25	2.29
Denmark	1.96	0.65	1.35	9.58†	0.28	3.27
W. Germany	1.02	0.07	0.00	3.43	0.23	2.58
France	0.31	0.03	0.03	3.37	0.36	2.12
Greece	0.28	0.22	0.00	0.16	0.29	n.a.
Ireland	1.14	1.14	2.74	7.84	0.36	7.63
Italy	0.57	0.18	0.00	0.75	0.49	2.72
Luxembourg	0.54	0.06	0.13	2.54	0.20	3.75
Netherlands	0.74	0.23	0.33	3.79	0.28	1.92
UK	1.25	0.70	1.60	7.70	0.29	4.33

* 1982 figures. † estimated average. Ecu 1 = £0.57

Hungary tells West of trade opportunities

BY LESLIE COLITT IN BERLIN

WESTERN BUSINESSMEN and bankers took notice last week in Budapest when Mr Jozsef Marjai, Hungary's Deputy Prime Minister, told them his country was not locke dinto any fixed ratio of trade between Comecon and the West.

Hungarian trade is divided 53 per cent with Comecon, and the remainder with the West and developing countries. The Western share has risen steadily in the past 20 years.

Mr Marjai, the Government's economic chief, told a conference on trade and investment opportunities in Hungary that it would contact trade according to the advantages to be gained.

The remark fell at the end of a five year period in which Hungary's terms of trade with Comecon slid by 20 per cent. This was caused by rising Soviet fuel prices which led to a widening trade gap with Moscow. Hungarians sttending the conference said Mr Marjai in effect was appealing to the Soviet Union not to allow trade terms to worsen any further.

Mr Jozsef Bognar, Director of the Institute for World Economics in Budapest, explained that the transferable ronble used in Comecon trade was over-valued which meant that Hungarian companies buying components in dollars from the West for a final product sold for roubles to the Soviet Union were penalised. The official exchange rate of the rouble to the dollar is 1-0.8 but the actual value according to the Hungarians is closer to 0.5-1.

Some Westerners at the conference saw signs that Hungary was experiencing growing problems with its Western trade. Western bankers dealing with Hungary felt Budapest could be forced to reimpose import restraints introduced in 1983 and lifted only late last year.

The Hungarians went to great lengths to convince the Westerners that the widening economie reform programme would create a more desirable environment for Western investments.

Mr Marjai said his Government would improve the conditions for Western companies entering joint ventures with Hungarian companies. They number 41 compared with 25 in early 1984. "Clumsy regulations" would be modified

Mr Istvan Torok, Hungary's Secretary nf State for Foreign Trade, said the previous demand that the Hungarian side must hold a majority of the shares in the joint venture would be revised.

KWU hopeful of N-plant deals

BY JOHN DAVIES IN FRANKFURT

KRAFTWERK UNNON (KWU) of West Germany is looking bopefully to China and Egypt for nuclear power station contracts bot sees little chance of a deal with Turkey.

KWU's intensive negotiations with the Chinese received a boost with the visit to Bonn by Zhao Ziyang, the Chinese Premier, last week. A contract will depend on further detailed negotiations about costs, financing, technology transfer and countertrade deals.

In Egypt, KWU is still pinning bopes on a contract for a 1,000 Mw nuclear power station, for which the West German Government has granted export credit insurance coverage of DM 2bn (£513m).

Financing arrangements for a proposed nnclear power station in Turkey have expired, after lengthy negotiations between the company and the Turkish authorities led to an impasse.

KWU received a letter of intent from Turkey more than 18 months ago for construction of a 1,000 Mw nuclear power station at Akkuyu on the Mediterranean coast.

As talks developed *Turkey* raised new conditions, proposing that KWU take over long-term responsibility for running the power station. Such a move would have greatly eased the financial burden on Turkey.

KWU has stood firm on the principle that it is in business to construct rather than operate power stations.

At one stage, KWU seemed well in the running for a Turkish project. The Bonn Government backed KWU's efforts by granting export credit insurance coverage of DM 1.4bn.

Like other noclear plant contractors, KWU bas faced a dearth of world orders in recent years and competition with French, UK and U.S. companies has been intense. While rivals might bave better prospects now in Turkey, it is by no means certain that the terms would be attractive.

KWU has been at pains to point out that large-scale Chinese business is not yet signed, sealed and delivered. During the Chinese Premier's visit to Bonn, representatives of the Chinese and West German nnclear industries signed a memorandum of understanding about long-term co-operation, with technology transfer a key element.

U.S. microchip makers complain about Japan

By Nancy Dunne in Washington

THE Semiconductor Industry Association, which represents the leading U.S. independent manufacturers of silicon microchips has filed a complaint against Japan for policies limiting chip imports.

The complaint, filed with the Office of the U.S. Trade Representative, asks the Reagan Administration to negotiate an opening of the Japanese market and to prevent Japanese dumping of semiconductors in the U.S.

U.S. electronics exports are already on this week's agenda for market-opening talks with Japan, but the trade complaint is designed to give the negotiations new impetus.

EEC-Gulf chemical talks in deadlock

By Patrick Blum lo Vienna

THE DISPUTE between Europe and the gulf states over tariffs and access to European markets for Middle Eastern petrochemicals remains deadlocked despite a flurry of diplomatic activity to find a solution, Mr Abdullah Bishara, secretary general of the Gulf Co-operation Council (GCC) which represents six Gulf states, said however, at the end of an official visit to Austria, that he beld out the hope that a comprehensive agreement would be reached with the European Economic Community.

"The issue has still not been resolved. It is no secret, the Community has stated clearly its position. At this juncture there is no possibility of abolishing the extra tariffs they put on our exports," Mr Bishara said.

He will be bolding further talks with European officials and is due in the Hague for talks this week. The Nether*lands* has been especially concerned about the possibility of large-scale petrochemical imports from the *Gulf.*

The GCC and senior Gulf country officials have strongly criticised the EEC's decision to impose a 13.5 per cent tariff on Gulf petrochemical exports to Community countries. The EEC has responded to the concern of European manufacturers who fear a flood of imports from the Gulf countries where many petrochemical plants are coming on stream.

SHIPPING REPORT

Tanker markets fall back to low level of business

BY ANDREW FISHER, SHIPPING CORRESPONDENT

THE RENEWED excitement in tanker markets sparked off earlier in the month by increased trading from Iran's Sirri Island terminal was not maintained last week, with minimal business seen from the Gulf.

E. A. Gibson Shipbrokers reported only two fixtures for big vesels from the area, one for a VLCC (very large crude carrier) of 250,000 tons from Iran's Kharg Island terminal at Worldscale 35, the other a ULCC (ultra large) carrying a partial cargo of 300,000 tons from Sirri to the West at Worldscale 17.

Dry cargo markets were also quiet. Eggar Forrester, another London shipbroker, said that although the outlook had improved, there was still toe much tonnage around to be absorbed by actual demand.

Terminal Operators', the brokers' research arm, said there was evidence that the peak of the present cycle of economic growth had already passed, with the U.S. recovery now slowing down.

In its latest report on the state and foture of shipping markets, it said that expansion int he bulk and combined (able to cary oil and dry cargoes) would not end until 1987, though the pace of change would vary between the two sectors.

The total dry cargo fleet, said Terminal Operators, would not decrease until 1988, and then only to a very slight extent. Demand for dry cargo tonnage was expected to improve, but at a decreasing rate up to 1987.

WORLD ECONOMIC INDICATORS

UNEMPLOYMENT

		May '85	Apr. '85	Mar. '85	May '84
UK	000s	3,240.9	3,272.6	3,267.6	3,084.5
	%	13.4	13.5	13.5	12.8
U.S.	000s	8,413.0	8,426.0	8,396.0	8,560.0
	%	7.3	7.3	7.3	7.5
		Apr. '85	Mar. '85	Feb. '85	Apr. '84
W. Germany	000s	2,304.6	2,474.5	2,611.3	2,253.5
	%	8.6	9.2	9.7	8.4
France	000s	2,338.3	2,419.8	2,484.9	2,234.8
	%	10.3	10.6	10.9	9.8
Italy	000s	2,928.1	2,973.3	2,970.4	2,729.6
	%	12.8	13.0	13.0	12.0
Netherlands	000s	748.1	773.4	801.9	814.5
	%	13.1	13.6	14.1	14.3
Belgium	000s	546.2	580.0	596.0	558.5
	%	13.2	14.1	14.5	13.5
		Mar. '85	Feb. '85	Jan. '85	Mar. '84
Japan	000s	1,740.0	1,640.0	1,520.0	1,780.0
	%	2.61	2.56	2.44	2.69

Source (except U.S., UK, Japan): Eurostat

Nato partners try again on fighter project

By Our World Trade Staff

BRITAIN and three other Nato partners will make an attempt today to overcome France's reservations about the form of a project to jointly build a fighter aircraft for the 21st century.

Lancaster House, London, will be the venue for the talks which seem likely to fail because of France's desire to take the lead in the multi billion pound project to build more than 800 aircraft.

Britain, West Germany, Italy and Spain are largely agreed on the size and power of the aircraft they wan tn counter the Warsaw Pact threat into the 21st century. France's Defence Minister Charles Hernu, however, will argue *for a lighter,* less powerful aircraft and for a bigger share of the work than the others are prepared to concede.

The five nations last met in Rome in May but work on the project since then has failed to resolve any ofthe outstanding issues, according to Whitehall officials who now feel the project may well collapse.

The aircraft is due to fly in the late 1990s and that means design work must start now.

The West Germans are already talking of a collaborative project with the U.S. should tomorrow's meeting fail to resolve the dispute. But if the gaps do not look later this summer opt to build its own aicraft, loosely based on an experimental fighter currently under construction bv British Aerospace at Warton, Lancashire.

TECHNOLOGY

EDITED BY ALAN CANE

Why companies ignore telephone exchange's smartest features

Alan Cane on the problems of sophisticated digital exchanges

MORE THAN half the major companies in Europe will have installed advanced computer-based telephone exchanges (PBX) by 1990, but only a tiny percentage of them will be taking advantage of their most sophisticated features.

These features include voice facilities such as abbreviated dialling, last number redialling and telephone conferencing which are already available on today's advanced exchanges.

They will also make it possible for computer data to be transmitted through the exchange in digital form, that is, in a series of electronic pulses the computer can interpret. So with such an exchange all a company's voice traffic and all its data would flow through the same exchange.

Even the advanced voice facilities available today are not properly used, according to Logica, the UK-based computer consultancy, which has just completed a major report on the future of digital (computer-like) private telephone exchanges in Europe.

It says there is growing evidence that very few of these smart features are ever used. "Call transfer to another extension, call diversion and manager/secretary filtering have probably achieved the most widespread acceptance, but these are facilities that were already offered by analogue PBXs," it says.

New features like conferencing and last number redialling at the press of a single key are less frequently used.

Logica believes progress will be slow towards integrated switching—the switching of voice, data, text and image through a single digital telephone exchange. These exchanges are now manufactured by Mitel, Nixdorf, Northern Telecom, Philips, Siemens, Thomson and others.

Voice switching, of course, remains the most important job for the telephone exchange in most companies, accounting typically for 90 per cent of communications traffic and costs. So the choice of exchanges for some time to come is bound to be driven by voice needs.

Nevertheless, Logica argues, most companies are anxious to ensure that new switching equipment they install should offer integrated (voice and data handled together in digital form) switching because they want to be in a position to enjoy its advantages in the future.

Logica says: "About 80 per cent of all PBX tender specifications currently issued in the U.S. insist on integrated voice and data although few users take advantage of them in practice. In Europe, well under 1 per cent of all extensions actually use integrated switching and most usage is of a highly experimental nature."

Why should this be? Logica concludes there are five principal reasons.

● The cost is too high. At present it is about $800 a port. Not until after 1990 will costs have fallen sufficiently to produce compelling economic arguments in favour of the integrated data switch compared with separate data switching facilities.

● The "electronic office" is still not well enough developed to support integrated digital switching. There are simply too few multifunction desktop workstations, the building bricks of the electronic office in use.

Multifunction workstations were seen as the key to office automation. Incorporating telephone, computer, word processor, electronic filing cabinet and electronic desk top they would enable executives to create letters and drawings, plans and memos and send them by electronic mail.

Unfortunately, although the technology to create such devices exists it still costs far too much. The professional personal computer has become the de facto multifunction workstation, but only now are users starting to think about connecting them together.

● Wide area communications are insufficiently developed, Logica says. To make the best use of a digital PBX it must be possible to communicate over a wide area using digital leased circuits. Such facilities will not be available until after 1990.

● Industry standards for digital networks are incomplete or not yet available. The authoritative standard for Integrated Services Digital eNtwork—or the fully digital telephone system—will not be available until 1988, for example.

● Control of voice and data has been vested in separate departments in most companies and integrating them will require considerable organisational changes which will provoke resistance.

Logica backs up its assertions with case studies, highlighting, for example, the problems facing an international trading organisation based on two distinct but closely located sites.

It had a conventional Plessey exchange with 200 extensions on the two sites together with many direct private lines for traders. There were eight telex machines.

The Plessey exchange was old, obsolete and unreliable. It had neither the flexibility nor capacity to provide extra lines so new direct lines were being installed in a haphazard way. Some users had three or more handsets on their desks for different types of traffic.

The telex machinery was similarly antiquated and unable to bear the growing load. Even the manual movement of telex tape from office to office was time consuming.

There was a daily backlog of telexes between London and New York and courier services were transferring messages across London three times a day because the facsimile machine could not cope.

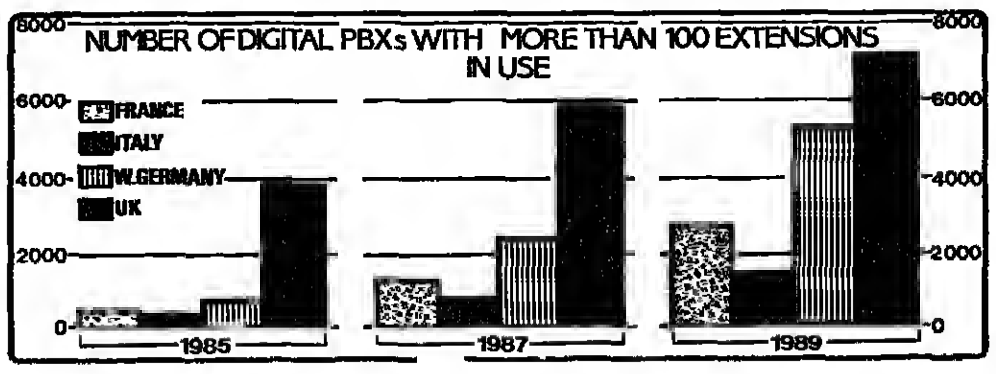
The company finally selected a Plessey IDX digital exchange from a list of suppliers "many of whom did not respond accurately to the tender specification or responded only with a simple statement of compliance even when a particular feature or facility involved extra expense."

The IDX has ample capacity for voice traffic although it was ruled out for data traffic because of the costs involved. Instead a cheap, simple and proven Case "Grapevine" data switching system has been installed.

So the company is still operating voice and data communications in parallel and looks like doing so for some years to come.

Logica concludes: "The integrated pbx will not therefore entirely supplant other forms of data switching in the 1980s," although it does believe that the pbx will eventually win over other forms of switching in the company telecommunications battle.

Digital PBXs in Europe, the next five years; £345.



Noise pollution has to be cut by 1990

Drive to make quieter lorries

BY ALISTAIR GUILD

TRUCK manufacturers are facing one of their trickiest technical and commercial hurdles. They have until 1990 to reduce noise levels in line with an EEC directive of September last year.

However, the burden is being eased by co-operation between vehicle, engine and component manufacturers in QHV (Quiet Heavy Vehicle) 90, the only nationally co-ordinated programme of its kind in Europe. The Department of Transport is meeting half the research and development costs while the Department of Trade and Industry is assisting engine and component manufacturers with half their development costs. The total cost will be £10m.

Seven years ago the Transport and Road Research Laboratory demonstrated the feasibility of building a heavy lorry with a noise level less than 82dB(A) without big economic penalties. Though the motor industry views the QHV 90 project as more ambitious and comprehensive, the earlier programme highlighted the more important technical issues.

It revealed, for example, that the fuel pump and gears are important sources of noise, even when the engine is not firing. So Cummins, one of the engine manufacturing involved in QHV 90, is working with Ricardos, engine consultants, to examine exactly how noise is generated by the gears and how to reduce it. It is also looking for ways of reducing vibration from the gears and from the covers over the gears in its LTA10 290 hp turbocharged engines.

Another problem facing vehicle and engine manufacturers is that of diesel fuel quality. The explosion of gases inside the cylinder of a diesel engine puts a force on the bearings, causing the outside of the engine to vibrate, producing noise. By turbocharging the engine and adjusting the point in the cycle when fuel is injected, the change in pressure in the cylinder is evened out. However, this could increase exhaust emission.

Legal limits on lorry noise levels (dB(A))

Lorry size	Now	October 1990
Below 2 tonnes	81	78
2-3.5 tonnes	81	79
Over 3.5 tonnes		
engine power below 75kw	86	81
engine power 75-150kw	86	83
engine power over 150kw	88	84

"Because the quality of diesel fuel will deteriorate in the next 5-10 years, exhaust emissions will increase unless something is done to reduce them," says Dr Christopher Mitchell, QHV 90 project officer at the road research laboratory. "But the very things done to reduce exhaust emission tend to make engines noisier."

Thus far, vehicle and engine manufacturers are certain about one thing, that engine enclosure is to be avoided as far as possible. "We learnt from our involvement in the earlier QHV project the impracticability of such palliative treatment. The only alternative is to reduce engine noise at source," says Mr Peter Flinn, chief engineer at Leyland's technical centre.

One avenue being explored by Leyland is altering the timing of fuel injection and the control of airflow to the cylinder. Another possibility is to reduce the coupling between the block and the engine head.

Leyland is also working on exhaust noise. "The silencer is crucial," says Mr Flinn. "Though you can always achieve a quieter exhaust system with a large silencer, the trick is to devise a silencer which performs better within an existing package. For example, the space available for the exhaust system on petroleum carrying vehicles is restricted by law. The bones of the silencer technology exist, but the silencer industry in general is still not sufficiently advanced."

At Foden a lorry tractor unit is being tested to discover the contribution of each possible noise source, such as running gear, silencer and the engine itself, to the overall vehicle noise. Foden, like Leyland, wants to avoid engine enclosure, which can require a more sophisticated cooling system. One major noise contributor is the cooling fan.

One option considered by Ford is the turbocharging of naturally aspirated engines in its lighter vehicles as turbocharged engines are inherently quieter.

Alternatively, if engine speed were reduced below 2,000 rpm, engine noise would fall by a similar amount to 1.5dB(A). Either route would involve a redesign of the engine.

Automated depot for DIY group

A £6m computer-controlled national distribution centre is planned by Black and Decker at Brackmills, Northampton, to cope with increased sales and the company's plan to diversify into housewares.

The centre will be designed and built by IDC of Stratford-upon-Avon and will have an automated high bay warehouse equipped by Dexion with automatic handling equipment.

Dexion has placed an order with CAP, the London computer systems house, for a computer control system based on Digital Equipment PDP 11/73 machines. It will control the operation of up to six cranes and two transfer cars operating within nine aisles of double depth racking.

The system also controls the routing and flow of pallets along conveyors which service the high bay and a number of picking stations. Continuously updated information allows pallets of goods to be located and retrieved from any of the 29,000 locations in the warehouse.

Leasing deal for CAD

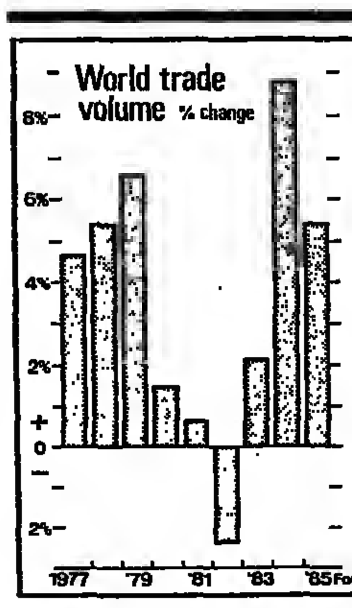
COMPUTERVISION of Basingstoke is the first major computer aided design company in the UK to offer a leasing plan for its products.

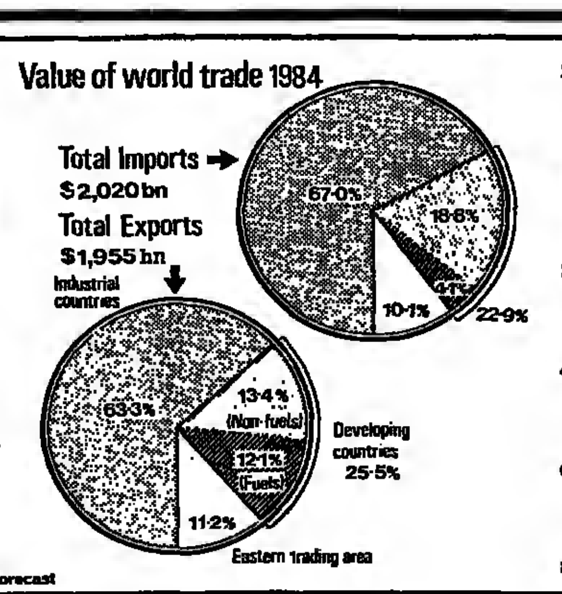
The move will allow the use of advanced design systems in industry without commitments of capital that can easily exceed £500,000 when equipment is purchased.

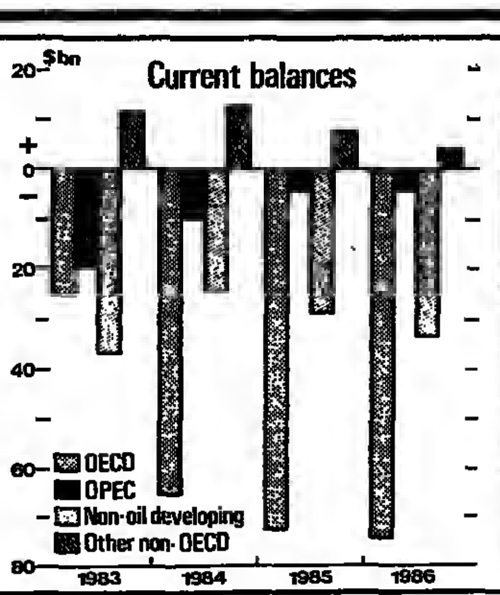
The minimum leasing period is three years. Computervision will also replace half the original equipment with new systems of the same or greater value after two years.

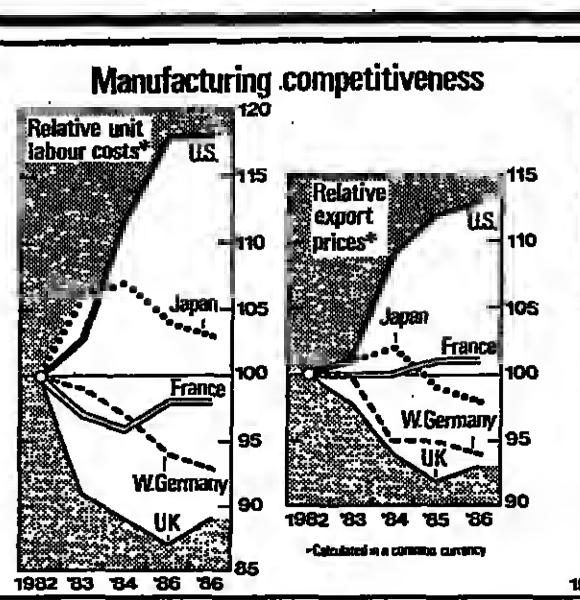
After four years all the originally leased equipment can be replaced. More on 0256 58133.

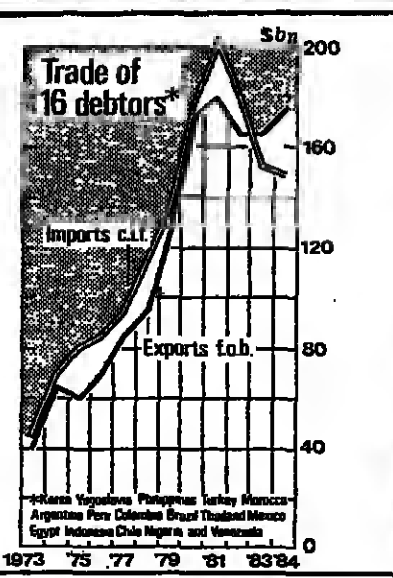
STATISTICAL TRENDS: WORLD TRADE

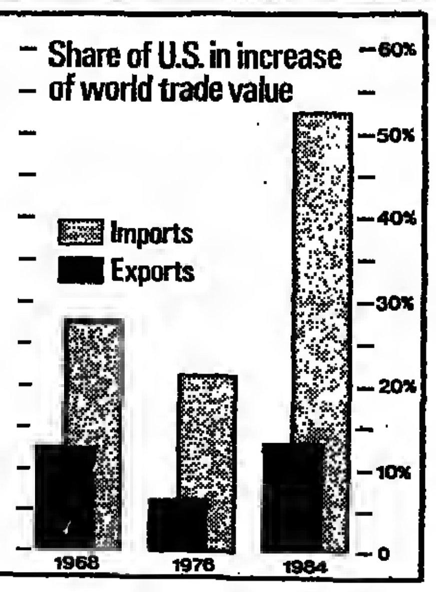












Uneven recovery despite slowdown in U.S.

The volume of world trade is expected to expand by about 5 per cent this year after a rise of 9 per cent in 1984. That increase followed several years of sluggish growth and one year of actual decline in 1982. Trade has grown much faster than real gross national product in the industrial countries and trade in manufactures has led the way, as in previous post-recession periods.

The major factor in the recovery of trade was the U.S. boom. At present, slowdown in growth in the U.S., together with the decline in Opec imports, lies behind the slackening pace of world trade expansion.

The unusual feature of this recovery in world trade, compared with previous recoveries, is its unevenness. This is primarily related to the disparities in growth between the U.S. and Western Europe. North America accounted for 63 per cent of the increase in world imports (in $ terms) in 1984, compared with between a quarter and a third in previous recovery years. It also accounted for a quarter of the increase in exports, boosted by Canada's increased exports to the U.S. Japan's share of the increase in exports, at 18.6 per cent, was considerably higher than in previous periods, although its share of import growth was only slightly higher. What is most marked is Western Europe's declining share of both higher exports and imports, reflecting its sluggish economic performance. The share of the rapidly expanding South-East Asian economies in the growth of exports is substantially higher than in previous years.

Looking at inter- and intra-continental trade flows, the pattern is clear: whereas trade among the Western European economies was previously a very significant factor in the increase in world trade, since 1979 the most dynamic element has been trade between North America, Western Europe and Japan. Trade among the developing countries accounted for a higher proportion of the increase in world trade in the period 1979-1984 than formerly, but trade between the industrial and developing countries was less important in the period 1979-84.

The secretariat of the General Agreement on Tariffs and Trade (Gatt) believes that the uneven recovery, together with the structural decline of some basic industries, is responsible for the fact that protectionist pressures and tensions over trade have not been eased by the surge in world trade growth. While the growth rates of the U.S. and Western Europe are likely to converge, this will be mainly as a result of lower growth in the U.S.

For the major debtor countries, 1984 was a better year. The improvement in their current account position came for the most part through a rise in exports, rather than a fall in imports. Some experienced very high rates of growth of dollar export earnings, particularly Brazil, South Korea and Turkey.

East-West trade revived in 1983 and 1984, with the volume of Western imports from Eastern Europe rising much faster than Western exports to the area. The USSR's experience was different, with slackening Western import growth. The pattern of world economic recovery has tended to be unfavourable for the Eastern area, as the bulk of its exports go to Western Europe.

The data on North-South trade show the increasing importance of developing countries in world trade. This is partly the result of changes in the oil price, but their share of manufacturing exports has also risen. However, there has been a decline in the developing countries' share of exports from the industrial countries since 1980, as a result of import cuts after the debt crisis. This particularly affected investment goods.

The share of the newly-industrialising countries (NICs), especially those in Asia, in the imports of the industrial countries has grown rapidly, but remains small.

PRODUCTION & TRADE

volume, % change

	1980	1981	1982	1982	1984
Production					
All comdts.	1	1	−2	3	5
Agriculture	0	3½	2	0	3½
Mining	−1½	−3	−3½	½	3
Manfg	1½	½	−2	4	8
Exports					
Total	1½	0	−2	2	8
Agr. Prods.	5	8	1	1	5
Minerals (incl. fuels)	−6	−12	−7	−1	5
Manufacs.	6	3½	−1½	4½	12

Source: OECD

INDUSTRIAL COUNTRIES: trade-related indicators

% changes

	Real GNP	Income elasticity of non-oil imports*	Import volume of developing countries	Non-oil commodity prices
1967-78	3.9	2.1	8.4	7.7
1977	3.0	1.4	9.5	14.1
1978	3.6	2.3	7.0	−2.7
1979	8.5	3.0	4.0	17.8
1980	1.4	1.8	8.3	6.7
1981	0.9	0.3	7.3	−12.6
1982	−0.1	−16.1	−3.9	−11.7
1983	2.1	2.8	−3.6	5.6
1984	3.8	3.8	2.5	1.0
1985	2.8	2.4	4.7	−1.3

* Ratio of growth in non-oil imports to growth in real GNP. Source: UN ECE

CYCLICAL TRADE GROWTH

(% change in export volume)

	1964-73	1973-79	1979-84	Post recession years 1968	1976	1984
Total	0.0	4.5	2.0	12.5	10.0	9
Agric. Products	3.5	3.0	3.5	3.5	8.5	5
Mines, icl fuels	7	0.5	−4	12.0	8.5	5
Manufacturers	10.5	5.5	4.0	14.5	11.5	12

Source: GATT

INCREASE IN WORLD TRADE: Regional shares

% shares

	1968	1976	1984	1968	1976	1984
N. America	20.0	12.1	24.1	29.3	23.3	83.0
Japan	10.8	9.7	18.8	8.7	8.8	8.4
W Europe	43.4	32.6	10.5	41.1	49.3	12.8
SE Asia	2.7	7.8	14.4	4.3	5.3	8.1
OPEC	13.0	19.4	1.5	10.3	6.2	−13.0
Other develop.	13.0	9.8	11.7	10.3	2.8	9.0
COMECON etc.	9.0	7.3	8.7	8.2	3.8	8.0
Other	1.1	1.3	3.8	3.1	3.1	4.0
Total increase	100.0	100.0	100.0	100.0	100.0	100.0

Source: GATT

INTER AND INTRA-CONTINENTAL SHARES OF WORLD TRADE INCREASE ($ terms)

% shares

	1964-73	1973-79	1979-84	1968	1976	1984
Within N. America	5.7	3.6	13.8	11.0	5.8	17.2
Within W. Euro	33.1	28.5	−2.4	28.9	27.7	7.2
N Amer-W. Europe Japan	13.8	9.4	29.5	19.8	12.4	34.6
Indst.-developing	24.8	34.8	18.8	[illegible]	35.8	21.9
Among develop.	3.8	7.0	13.9	2.5	8.9	8.3
Within COMECON etc.	4.8	4.4	8.5	6.8	3.1	4.7
Other	14.2	12.4	18.3	7.0	5.2	11.1
Total increase	100	100	100	100	100	100

TRADE VOLUMES

% change from previous year

	IMPORTS 1982	1983	1984	EXPORTS 1982	1983	1984
U.S.	−4.7	10.0	24.0	−10.0	−6.3	7.0
Japan	−0.3	1.2	10.8	−2.4	8.7	15.4
W. Germany	0.9	4.0	5.4	2.9	−0.2	0.7
France	3.1	−1.8	2.6	−2.7	3.5	8.2
UK	4.1	7.8	6.6	2.8	1.0	6.1
OECD Europe	1.3	2.8	8.2	1.2	8.4	8.2
Total OECD (ecl. U.S.)	0.6	2.8	6.0	0.8	4.4	10.4
Total OECD	−0.5	4.1	11.5	−1.4	2.4	9.3

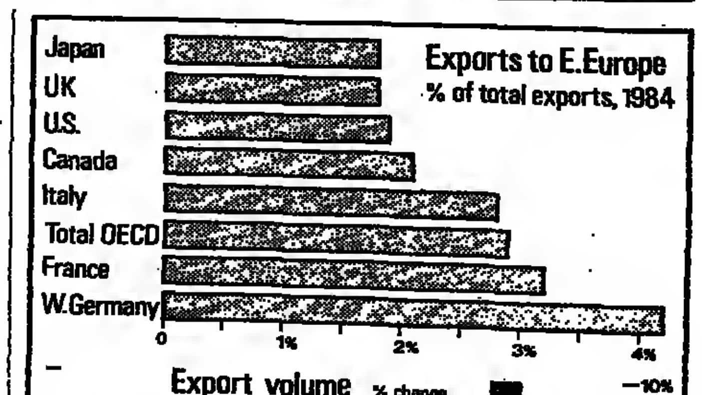
Source: GATT

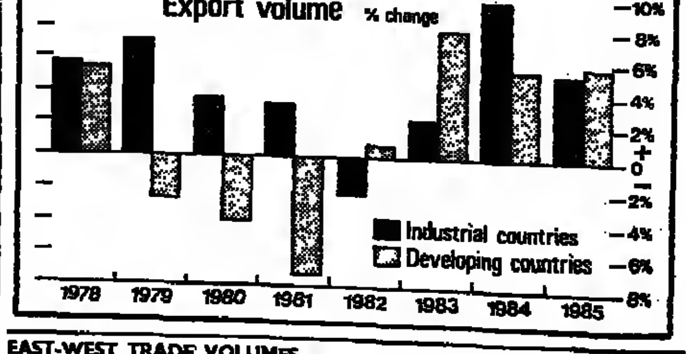
INDUSTRIAL COUNTRIES EXPORTS
Developing countries shares %

	Total	N Amer	W Euro	Japan	COMECON etc
Total developing					
1965	20.3	25.2	16.1	44.1	15.2
1980	23.0	30.5	18.8	48.2	16.4
1983	22.9	27.1	17.0	44.0	18.1
Oil exporters					
1965	5.3	7.5	4.3	7.7	1.4
1980	0.1	11.4	7.7	14.3	8.3
1983	8.3	10.8	8.1	13.0	4.3
NICS					
1965	2.9	3.7	1.8	10.4	0.4
1980	5.0	8.1	2.1	16.1	0.3
1983	5.0	7.0	2.2	15.9	0.3
Other developing					
1965	12.2	13.5	10.0	26.1	11.6
1980	9.0	11.0	6.7	17.8	9.5
1983	8.6	9.5	8.7	15.1	10.3
Asian NICs					
1965	1.3	1.9	0.6	6.5	0.0
1980	3.8	5.4	1.1	14.5	0.1
1983	4.2	6.0	1.3	14.3	0.1

INDUSTRIALISED COUNTRIES IMPORTS
Developing countries shares %

	Total	N Amer	W Euro	Japan	COMECON etc
Total developing					
1965	21.2	25.8	18.0	41.9	12.7
1980	30.0	42.8	21.1	66.0	13.9
1983	25.0	32.4	18.4	60.2	14.3
Oil exporters					
1965	8.3	6.2	7.7	17.7	0.7
1980	18.7	25.2	11.2	44.4	3.9
1983	11.2	8.8	8.4	35.8	3.7
NICs					
1965	2.6	4.1	2.5	4.7	1.8
1980	4.9	8.5	2.8	7.2	2.5
1983	8.3	11.4	2.8	7.7	2.2
Other developing					
1965	10.0	12.8	8.8	19.8	10.8
1980	8.8	8.9	5.2	14.5	7.3
1983	8.5	12.2	5.2	18.7	8.4
Asian NICs					
1965	1.2	1.9	0.7	3.9	0.4
1980	3.3	6.8	1.8	8.0	0.3
1983	4.1	9.3	1.7	8.2	0.3





EAST-WEST TRADE VOLUMES

% change

	Western exports 1980	1981	1982	1983	*1984	Western imports 1980	1981	1982	1983	*1984
E.Eur.&USSR	4	9	−3	2	−4	−3	−9	3	8	8
E.Europe	−2	−5	−16	0	3	−2	−6	−4	a	17
USSR	6	15	5	2	−e	−5	−8	10	7	2

* First half.

EAST-WEST TRADE

% change in value ($ terms)

To/from	Western exports 1980	1981	1982	1983	1984	Western imports 1980	1981	1982	1983	1984
Bulgaria	31	14	−17	2	−7	12	−13	−6	−21	−10
Czech.	11	−16	−3	−8	−9	10	−11	−2	1	4
GDR	9	−8	−11	−7	−13	24	−4	4	0	−3
Hungary	11	−1	−a	−e	−4	11	−10	−7	3	10
Poland	9	−33	−24	−8	−1	0	−34	−6	0	18
Romania	4	−22	−43	−23	5	e	0	−26	7	40
E. Europe	10	−18	−18	−5	−6	13	−13	−8	1	10
USSR	16	8	3	−4	−12	31	−3	8	−3	−1

Commentary by Our Economics Staff; data analysis by Financial Times Statistics Unit; charts and graphs by Financial Times Graphics Department.

Whitehall to investigate value of diplomats

BY SUE CAMERON

A MAJOR Whitehall scrutiny of the value for money that Britain receives from its diplomats is to start next month.

The investigation is to be headed by Mr Richard Samuel, a senior Foreign Office man who was Britain's deputy High Commissioner in New Delhi. Mr Samuel, who has been given 90 days to undertake the scrutiny, will receive back-up support from staff in Whitehall's own Efficiency Unit.

His task will be to look at ways of measuring the productivity of Britain's diplomats. The idea is that, if their output can be measured more effectively, then it will be easier to assess their performance and how far they are meeting their objectives.

Mr Samuel is expected to make a breakdown of the various jobs that diplomats do – from political and economic work to trade and export services.

Figures showing how much the Foreign Office spends on those different areas are understood to be available already. But it is thought Mr Samuel will try to assess exactly what British taxpayers are getting in return for the money that is spent on these activities.

Inside Whitehall, it is thought that some types of diplomatic work may prove easier to measure than others. The benefits of political work by diplomats, for example, may be harder to assess in terms of value for money than their efforts to boost UK exports.

Potentially, the scrutiny might prompt substantial changes at the Foreign Office. The investigation might point the way to a reallocation of resources, with money and manpower being cut back in areas where they yield little measurable return and used instead to support work that can be seen to bring results.

One important feature of the scrutiny is that it has been launched by the Foreign and Commonwealth Office itself. Senior civil servants in other parts of Whitehall believe the FCO might have various reasons for setting up the investigation. Some say it is genuinely anxious to find ways of improving its performance. Others, more cynically, suggest the FCO's chief concern is to deflect possible criticism of its internal management.

The Prime Minister is known to have been critical of the Foreign Office in the past – notably over its performance in the period leading up to the Falklands war in 1982 and over its efforts to obtain a better deal for Britain from the European Community budget.

Whitehall officials believe that any recommendations for change arising from Mr Samuel's scrutiny are much more likely to be acted upon – precisely because the FCO is running this investigation itself – than some of the demands for reform that have been made in the past.

In 1977 a review of Britain's overseas representation was carried out by the Think Tank – the Central Policy Review Staff – headed by Sir Kenneth Berrill. The Berrill report was highly critical of the Foreign Office and called for radical reforms.

It suggested that the Diplomatic Service should be merged with the Home Civil Service, that most British Council offices should be amalgamated with embassies or missions, that some 50 diplomatic offices abroad should be closed, that export promotion work should be more selective and that the money spent on educational, cultural and information work should be drastically reduced.

The Berrill report identified 14 separate functions of Britain's overseas representation. It said that, although all were valid objects of public expenditure, "we believe that in most of them less work should be done or it should be more selectively."

Lonhro criticised by minister over BA damages claim

BY JOHN HUNT

MR NICHOLAS RIDLEY, the Transport Secretary, yesterday made a bitter and outspoken attack on Lonrho, the trading group, over its claim for substantial damages from state-owned British Airways (BA) in connection with a joint venture that Lonrho had with Sir Freddie Laker.

"It can only be described as a try-on," Mr Ridley said. "It has no foundation whatsoever."

He said the action concerned two travel businesses set up jointly by Sir Freddie and Lonrho in 1982 after the collapse of Laker Airways.

Interviewed on television, Mr Ridley said he was astonished that a British company should take an issue to American courts under alien law in order to attract money from the British taxpayer.

It was true, he said, that Lonrho had lost profits over the affair but that was not the fault of anybody else – "Why blame somebody else?"

The Government is concerned that this further legal complication might mean more delay in the planned privatisation of British Airways. It comes on top of the protracted legal action that Sir Freddie has already taken in the U.S. courts against BA.

There is also annoyance among ministers that Sir Edward du Cann, a senior Conservative MP, is connected with the latest legal action as chairman of Lonrho.

Mr Ridley said the Lonrho action was simply trying to get money out of British Airways before a final settlement with Sir Freddie was reached. "It has very little merit," he declared.

It was put to him that Sir Edward had complained that Lonrho had been very badly treated in the affair and that it was reasonable to take legal action.

Mr Ridley replied that he had no idea why Lonrho should consider itself to be badly treated, nor could he understand how the affair was in any way connected with the original failure of Laker Airways.

The claim concerns two joint ventures, Skytrain Holidays and People's Airline, in which Lonrho was a 50 per cent partner with Sir Freddie. They were set up in the months after the Laker collapse.

Lonrho claims that there were projected profits of $110m a year from the two companies before they got into difficulties as the result of an alleged conspiracy by international airlines.

Plant builders show growing interest in safety assessment

Ian Rodger reports on the work of Technical Audit in improving safety and efficiency.

PAUL WILLIAMS, a systems engineer by trade, once made a parachute jump to prove his view that any plant or piece of equipment could be made completely safe.

"It was scary, but I won my bet," says Mr Williams, managing director of Technical Audit. The company grew out of an office within the British Steel Corporation that was set up in 1973 to evaluate not only the safety but also the quality of the huge plant projects BSC was then undertaking. Its services were considered useful but, by the late 1970s, BSC's expansion days were over, so Mr Williams and his colleagues began to look outside the corporation for business.

By late 1983, the office was busy enough to survive on its own, so the management bought it from BSC with the help of some financial institutions. Since then, its manpower has doubled to 36 and the group, which has annual turnover of about £2m, is operating profitably.

Mr Williams got the idea for auditing plant design from studying techniques developed in the 1960s by the U.S. National Aeronautics and Space Administration (Nasa) for making space vehicles safe. He thought the same quantitative review techniques could be applied to assessing the efficiency of planned process plants. "In industrial plants safety tends to follow efficiency," he says.

In the early days at BSC, the idea of auditing proposed plant designs ran up against some opposition from the contractors. But the office soon proved it could be helpful.

Mr Williams said Technical Audit's main contributions had been in adapting plant designs to local conditions. Often, contractors have acquired patented technology for, say, a blast furnace from others and have been nervous about altering the design in any way. But even such simple things as prevailing winds and humidity can alter the performance of big plants.

For example, if a blast furnace is built at a particular angle to the wind, condensation of hot gases might occur, accelerating corrosion and raising the danger of an explosion. Humidity can affect the flow rates of materials being loaded into cement plants. Temperature can affect the performance of lubricants.

"We are not taking away the responsibility from the main contractor," Mr Williams says. "All we are saying is thet he should check our calculations."

He recalled the case of one BSC plant which he calculated would operate at only 40 per cent of its intended output. The plant, which he refused to identify, was built, but was ultimately closed down because his forecast turned out to be correct.

In another case in a tropical country, conveyors were put in trenches, as the design stipulated, but they became unusable during the monsoon season because the trenches filled with water.

Acceptance of the technical audit concept has grown slowly. Mr Williams said the group was now being approached not only by plant buyers but also by some contractors. Recently, Bechtel, the world's largest engineering contractor, included Technical Audit in a bid it was making for a large energy plant project in the Middle East.

However, for the past three years, the pace of new plant construction around the world has slowed considerably. Mr Williams has responded to that by applying his techniques on existing plant. The group now does considerable consulting work in that area. On one recent contract it was hired by a reinsurance broker to examine a plant in South America. The plant had a very poor safety record, and the insurance could not be placed until a programme could be developed to improve it.

It has also been retained by the World Bank to consider whether or not changes in design would improve the financial viability of a plant by reducing probable maintenance costs.

Shearson Lehman joins Topic quotes system

BY BARRY RILEY

SHEARSON LEHMAN, the U.S. investment bank owned by American Express, is the first non-member firm to be allowed to enter stock quotes on the Topic information system of the London Stock Exchange.

The firm is initially using eight pages to display prices of more than 70 overseas equities, including South African gold mines, leading Japanese and Dutch equities and a selection of U.S. over-the-counter stocks.

It has now joined a number of British-owned firms in displaying prices on the stock exchange's new Seaq International service, which is regarded as a forerunner to the main Seaq system being developed in time for the restructuring of the domestic equity market next year.

At the moment, prices are being telephoned to the stock exchange, but by the end of this month five test stations will be with firms enabling them to input directly from their premises.

By the end of September it is expected that about 20 firms will be hooked up to the system, including a number of other U.S. investment banks that trade international equities in London.

The U.S. firms allowed in will be those which have expressed a definite intent to join the London Stock Exchange when that becomes possible after next year's rule changes.

It is thought that Morgan Stanley is the most prominent of the U.S. firms that will continue to be excluded from Seaq International because it is not yet committed to membership of the exchange.

The Americans have been invited into the Topic system because it is considered that there will be mutual advantages in improving the information flow between stock exchange international dealers and foreign-owned firms.

Pay rises average 6½%

BY ANATOLE KALETSKY

PAY SETTLEMENTS in manufacturing industry appear to have stabilised at about 6½ per cent, the highest rate for two years, according to figures published yesterday by the Confederation of British Industry (CBI).

The CBI pay databank for May shows settlements averaging 6.3 per cent in the 12 months to May, the same as the level in April, but about 0.5 per cent above the rate of wage inflation recorded a year ago.

The CBI's figures started a slow but steady climb in October 1983, when manufacturing pay settlements averaged 5.6 per cent. Because the settlements reported by the CBI do not include bonus payments and other elements of "wage drift," they understate the actual level of increases in earnings

UK NEWS

BL's corporate plan expected to be approved

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

GOVERNMENT approval of state-owned BL's five year corporate plan is likely to be announced in the House of Commons today by Mr Norman Tebbit, the Trade and Industry Secretary.

The statement is expected to bring success for Mr Harold Musgrove, chairman of the Austin Rover volume cars division, who has been arguing that his company should be allowed to develop its own engines and gearboxes for the Metro replacement scheduled for the late 1980s.

The Government, which had been urging that around £250m could be saved if Austin Rover bought the key components from Honda, of Japan, seems to have accepted that such a deal is not possible.

Collaboration with Honda, however, forms a key element of the corporate plan. The two companies are to develop jointly a new middle-range car, code-named the YY, which will eventually replace the Maestro and Rover 200 models.

Austin Rover will also assemble Honda cars under contract – a move that will provide volume for the company's under-utilised production facilities. Longbridge, Birmingham, remains the favoured location and volumes of up to 100,000 cars a year have been mooted. But the details and timing have still to be negotiated.

The Government's long-awaited decision on a plan submitted last December follows an intensive review.

After a visit by Mr Musgrove to Japan 12 days ago for talks with Honda, the Government now seems poised to give a public go-ahead for Austin Rover to proceed with its own K-series engine.

The decision will safeguard up to 5,000 jobs that were at risk at the Longbridge engine factory and will also please West Midlands Conservative members of parliament concerned about the economic and political consequences for the region.

Backbenchers will also be hoping to hear from Mr Tebbit of progress on government plans to privatise BL, particularly the Unipart spare parts operation, the prime candidate for an early sell-off.

Cabinet to consider spending strategy

BY JOHN HUNT

A FULL meeting of the Cabinet has been called for next Sunday to take what is described as "a long-term strategic look at public expenditure in all its aspects."

Although the Government is playing down the meeting's importance, there is no doubt that it will be crucial in helping to decide the course of overall policy until the general election.

The central issue will be whether Mrs Margaret Thatcher, the Prime Minister, and Mr Nigel Lawson, the Chancellor of the Exchequer, will be able to pursue their promised tax-cutting strategy in view of the likely overrun on public expenditure targets.

There now seems to be in the Cabinet a growing number of "consolidators" who are arguing that further cuts in services are not possible without risking a backlash from the electorate that might pose a threat at the next election.

They are led by Lord Whitelaw, Mrs Thatcher's deputy, and Mr John Biffen, Leader of the House of Commons. They include Mr Michael Heseltine, Defence Secretary, who has been receiving a rough ride in the Commons with allegations that defence cuts are being made in a covert fashion.

Those ministers will argue that maintenance of services at existing levels must take precedence over tax cuts.

Opposing such arguments will be ministers such as Mr Nicholas Ridley, the Transport Secretary, who made clear yesterday that in his view the Government must push ahead with reductions in spending.

Mr Lawson too will be arguing that there must be further curbs on public spending to offset higher social-security payments and public-sector pay awards.

The rise in inflation to 7 per cent has posed a severe threat to the Government's strategy. That means that the autumn's rise in pensions and other social security payments will be higher than anticipated.

The increase in retail prices also threatens the Government's assumption that public-sector wages will rise by only 3 per cent this year.

French electricity to be imported

By Ian Hargreaves

BRITAIN intends to import substantial quantities of cheap French nuclear electricity via the new cross-Channel link in spite of its unwillingness to sign a long-term contract for the supply of baseload power from France.

A statement by the Central Electricity Generating Board (CEGB) disclosed that it had made "commercial arrangements" with Electricité de France to govern the operation of the first phase of the Anglo-French sub-sea power link.

The two-year arrangement, the CEGB said, would involve the continuous supply of 1,000 megawatts of electricity from France to the UK.

The price of the power transmitted under the deal, the board said, would be significantly below the average cost of its own domestically produced power.

Under the terms of the agreement, however, there will be provision for stipulated interruptions – indicating that the CEGB has stopped a crucial step short of committing itself to making French supplies part of its basic system.

The board has told its trade unions that the French supply will not mean removing any of the UK's existing surplus of power station capacity.

Electricité de France, which has a major and growing electricity export programme, wanted the CEGB to sign the kind of baseload supply contract negotiated with other foreign customers but was told that this was considered undesirable in Britain on political and social grounds. The purchase of large quantities of cut-price French electricity is likely to stir controversy in the coal industry, where it may be seen as a threat to jobs.

For this reason, the deal between Electricité de France and the CEGB has been kept a close secret. Even senior electricity industry executives have been surprised by the nature of the board's statement, which came in response to comments by M Marcel Boiteux, chairman of the French state electricity company.

The fact that the board has refused to sign a full contract, however, will be used as an argument that the first stage of the link can in practice be used flexibly and according to circumstance. The original idea behind the link was that it should be a two-way exchange of electricity and this principle has clearly not been abandoned.

Electricité de France still hopes that the CEGB will eventually enter into a full-scale agreement to receive baseload power across the link. The first stage of the link is due to open this autumn and will be followed by a second 1,000 megawatt stage one year later.

Campaign will seek 20% cut in energy bill

By Kevin Brown

THE GOVERNMENT is planning an energy efficiency campaign aimed at cutting the £35bn national energy bill by 20 per cent, or £7bn.

The campaign will hinge on a direct-mail approach to every home in the country, plus a determined effort by Energy Department ministers to talk to executives of every industrial company.

In addition, the nationalised gas, electricity and coal authorities have agreed to switch a substantial proportion of their advertising budgets into promoting energy efficiency. The advertising budgets into promoting energy efficiency. The advertising offensive will be supported by a number of big oil companies, ministers say.

The campaign will be launched by Mr Peter Walker, the Energy Secretary, in November and will run until the end of next year.

It follows the success of a series of "breakfast" meetings at which Mr Walker has spoken on energy efficiency to 16,000 senior managers, mostly in groups of 400.

Unions prepare for leadership changes

BY PHILIP BASSETT AND DAVID GOODHART

THREE big British unions – the municipal, shop and transport workers – are set for new leaders as part of a wave of change at the most senior level of the UK trade union movement.

The new heads of those unions, plus a forthcoming election for the presidency of the engineering workers' union, will set the pattern for British trade union leaderships for much of the rest of the century.

In the General, Municipal and Boilermakers' Union (GMBU), Mr John Edmonds, the union's public services national officer, looks set to win a ballot in which voting will begin next week.

The union operates a branch block voting system whereby the entire votes for a branch go to the candidate agreed at a branch meeting, no matter how many members actually vote.

Although the result will not be declared until the end of August, under such a system the branch nominations are usually a conclusive indicator. Various sets of nomination figures, kept secret by the union's leadership, have been circulating in the GMBU. But the figures recently presented to the union's executive show Mr Edmonds to have a commanding and probably unassailable lead.

The 380,000-strong shopworkers union, Usdaw, which also operates a branch block vote system, has only one week of voting left. The centrist favourite, Mr Garfield Davies, is clearly in the lead but is facing a stronger challenge than expected from the left-winger Mr Bill Connor. The right-wing candidate, Mr John Flood, the present deputy general secretary, looks likely to finish third.

The result should be known on July 1 and a total poll of about 270,000 is expected.

Mr Ron Todd was confirmed at the weekend as the new general secretary of the Transport and General Workers' Union in a repeat ballot held after allegations of voting irregularities in last year's election.

In a 40 per cent poll, higher than had been forecast, Mr Todd won by 325,586 votes to 248,746 – a convincing majority of 76,840, considerably higher than his successful margin in the cancelled 1984 ballot.

INTERNATIONAL APPOINTMENTS

Knox takes Standard Italy job

By Alan Friedman in Milan

MR EIRVIN KNOX has left his post as general manager of Continental Illinois Bank's Italian subsidiary, to become the Milan-based general manager of Standard Chartered Bank (Italy). Mr Knox's departure from the Italian branch of Continental Illinois is one of several: ho is being joined at Standard Chartered by Sig Giulio Lazzaroni, tho former operations manager of the U.S. bank's Milan branch, who will have similar responsibilities at Standard Chartered.

Mr Knox, who is 39 years old and was born in Oklahoma, arrived in Milan in August, 1981 to take over Continental's Italian business. Ho had been with Continental for 12 years. He is taking over from Mr James Mathieson as Standard Chartered's manager for Italy.

Standard Chartered's Italian branches (in Milan and Padua) have made losses for the past three years, largely because of bad loans.

Standard Chartered, with L150bn ($76m) of outstanding loans in the Italian market, is among the smallest of tho 33 foreign banks in Italy. It has a staff of around 100.

Continental Illinois has a staff of 85 in Italy and total loans of around L400bn.

Two other Continental Illinois officers have left the bank's Milan branch recently: they are Mr Patrick Pera, who was Continental's marketing manager, and is now involved in corporate banking for Barclays Bank Italy, and Sig Angelo Monteverdi, Continental's former chief foreign exchange dealer, who is now with the Banco di Roma.

* * *

UNOCAL CORPORATION has announced tho election of Mr Sam A. Snyder as vice president and general counsel of the company, in place of Mr George C. Bond, who is retiring.

Bagnall quits at Disney

BY TERRY BYLAND IN NEW YORK

THE PLANNED early retirement of Mr Michael Bagnall, executive vice president finance, and chief financial officer of Walt Disney Productions, at the age of 54, comes as the dust settles after last year's battlo with Mr Saul Steinberg, which ended with the Bass Brothers of Texas holding about 25 per cent of the Disney equity.

Mr Bagnall, a Disney veteran of 23 years will hold his present position, overseeing finance, treasury and management information systems, until the end of this summer, and, following retirement, become a Disney consultant.

The retirement is unrelated, Mr Bagnall says, to any plans to restructure Disney's financial shape in the wake of the contest with Steinberg. Although still legally unresolved, the decision to buy out Steinberg's Disney share stake at a premium over market prices brought bitter complaints from some stockholders.

The Bass family interests are believed to have conducted a review of the Disney finances. No successor to Mr Bagnall has yet been announced.

Thunnissen returns to CIC Paris

BY JEFFREY BROWN

M JACQUES THUNNISSEN, head of the London branch of CIC-Union Europeenne International is to return to Paris to take over the reins of the international division of Credit Industriel et Commercial de Paris.

Both CIC-Union Europeéne and Credit Industriel et Commercial are part of the CIC French banking group which has recently completed a major reorganisation of its international operations.

M Thunnissen has worked in the City of London since 1979. He is to be succeeded as general manager of the London end of CIC-Union Europeénne by M Guy Fouchet, 48, who began his career as a legal advisor to the French Government.

The CIC group, which has a balance sheet total equal to $27.9bn, has operated in London since 1895.

McElwaine at Columbia Pictures

COCA-COLA Company's Columbia Pictures Industries has promoted Mr Guy McElwaine to chairman and chief executivo officer of its Columbia Pictures division, reports Reuter from New York. He was named president of the division in 1982.

Mr Richard Gallop, president and chief operating officer of Columbia Pictures Industries, previously held the post. Mr Gallop will continue to oversee the motion picture division, as well as Columbia's television and international operations.

* * *

DELOITTE HASKINS AND Sells, the international accounting and consulting firm, has announced the election by its partners of Mr J. Michael Cook to succeed Mr Charles G. Steele as chairman and chief executive of the U.S. firm.

Mr Cook, 42, was managing partner of tha U.S. firm. Mr Steele will be 61 in July, next year, and it is policy for partners to retire by age 62.

Deloitte has internationally nearly $1bn in annual revenues and more than 26,000 people who provide professional services through 425 offices located throughout the world.

In the U.S., Deloitte has offices in over 100 cities and employs more than 8,000 people.

* * *

IBM JAPAN has announced the appointment of Mr Carl J. Corcoran as senior managing director, reports Kyodo from Tokyo. Mr Corcoran, 58, now president of IBM Canada, will take up tho post on July 1.

The appointment it is understood, is designed to strengthen the company's marketing operations.

Within the industry, it is thought the appointment is aimed at stepping up computer sales in Japan.

The company has lost its top position in the domestic computer market to Fujitsu and NEC Corporation.

* * *

SANWA BANK, the Japanese Commercial or City Bank, has elected Kenji Kawakatsu, its president to serve concurrently as chairman. He succeeds Toshio Akashi, who will become an adviser, because of the age limit requirement.

Yoshijiro Fujii is to be promoted to tho new post of vice-chairman.

* * *

International Signal and Control Group (ISC), the U.S.-run, UK-registered and listed company, has appointed Dr Franco Samoggia chief executive of tho group's SLEL subsidiary. SLEL was acquired by ISC on March 1 and comprises four divisions that employ 1,600 people.

* * *

PHELPS DODGE Corporation has elected Mr Edward L. Addison a director. Mr Addison, 55, is president and chief executive officer of The Southern Company, the parent of one of the nation's largest electric utility systems, which includes the Alabama Power, Georgia Power, Gulf Power, and Mississippi Power companies.

Changes at Morgan Guaranty

By Our Financial Staff

MORGAN GUARANTY Trust Company has made executive changes which it sees as strategically important.

Mr Roberto G. Mendoza, executivo vice-president, has been named to head worldwide merger and acquisition activities, and Mr John W. Spurdle, Jr, executive vice-president, to form an investor services group.

Mr Mendoza, 39, had been responsiblo for the funding services group of the treasurer's division, which conducts the bank's capital markets activities, incldlng underwriting and trading securities in the Euromarkets.

Mr Spurdle, 47, was responsible for the banking group that serves clients in north and south America, from 1981, and earlier had headed the funding services and foreign exchange and international treasury groups of tho treasurer's division.

* * *

PHIBRO-SALOMON, the New York-based investment banking and commodities trading group, has announced several appointments within Phibro Energy, the trader in oil and oil-related products. Mr Thomas D. O'Malley, 43, formerly president, has been designated chairman and chief executive. Mr Abraham H. Kaplan, 50, has been named president, and Mr Andrew J. Hall, 34, has been appointed executivo vice-president.

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JAPAN LINE, tho world's second largest tanker operator, has named Seishino Kataoka president, succeeding Takeshi Kitagawa, who becomes chairman, Kyodo reports from Tokyo.

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TAISEI CORPORATION, the construction concern, has appointed Yasuo Satomi, 59, as successor to the outgoing president, Hajime Sako, reports Kyodo from Tokyo.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Hugin/Sweda takeover

A new competitor up among the giants

Charles Batchelor on the cash register group's latest strategy

DAVID POPE, chief executive of Hugin Group, hopes that, finally, at its third attempt to break into the U.S. market for electronic cash registers, his company has got it right.

Hugin is now trying to establish a foothold in a market which accounts for half of total world demand with the $67m (£52m) purchase of Sweda, an established designer and distributor of cash registers and retail point-of-sale systems, from Litton Industries, the U.S. defence and technology multinational.

Buying a company four times its size in turnover terms will not only stretch Hugin's finances to the limit. It will also catapult the company into a highly competitive market where it faces murderous competition from electronics giants such as IBM, NCR and National Semiconductor as well as from a host of low-cost Japanese suppliers.

"Selling cash registers ranks next to selling second-hand coffins," says one European competitor. "There are too many manufacturers and something will have to give. I wish Pope well, but he is going to have a lot of headaches."

It is barely two years since Pope led the management buy-out of a convalescent Hugin from Electrolux the Swedish household appliances group. Two years earlier, when he became managing director, the the company was on the verge of collapse.

In these four years Hugin has pulled out of manufacturing to concentrate on design and marketing and the sale of a range of peripheral products. Pope's strategy must be viewed in the light of an analysis of what went wrong before.

In the late 1960s and early 1970s the company sold no fewer than half a million cash registers to the U.S. market. But the machines were sold through Victor International, a U.S. distributor, with a Victor label on them, and when this arrangement ended in 1974 Hugin had a large installed base but no visible presence in the U.S.

Reluctant to abandon this sizeable market, Hugin tried again. It set up its own operation in the U.S., took on a staff of 80 people—and flopped. Starting effectively from scratch, Hugin was unable to build a big enough business to make profits. The business was wound down, though a six-man team was retained to service the dealer network. But at least Hugin had managed to establish a presence in the market for cash registers for cinemas and amusement parks.

"We wrote in stone that we would never do that again," says Pope, a youthful 45-year-old. "We tried to go in on someone else's back; we set up a subsidiary for a lot of dollars. Now we are acquiring someone with a proven track record. I have more faith in the way we are trying to do it now."

Culture

But how can Pope hope to succeed where Sweda, with the enormous resources of Litton behind it, failed? "Litton's culture is that of a defence contractor working on a cost-plus basis," says Pope. "It's different for a business equipment company. Sweda's losses probably did not even matter to Litton after taking into account the tax credits they would produce." Hugin can succeed, he insists, if it can solve certain basic problems. These include:

● Sourcing. Both Hugin and Sweda concentrate on marketing and distributing bought-in systems. But there are significant differences.

Sweda sources about 80 per cent of its production from Omron, a Japanese manufacturer, though the U.S. group has developed its own software for systems in specialised areas such as the hospitality market—hotels, bars and restaurants. As Pope notes, this means that it is competing for the same customers as Omron and with very similar products.

Hugin also sources its equipment externally, buying its small and medium category machines from two Japanese and two Swedish companies while its largest systems, for major food retailers, come from National Semiconductor of the U.S. But Hugin designs its own equipment, retains the patents, owns the software and production tools and has its equipment made exclusively.

● Markets. Both companies have focussed their attention on the major retailing groups which require sophisticated networks of linked cash registers. Both have committed themselves to scanning systems which permit the automatic reading of bar codes printed on food and other packaging. This saves time on price labelling goods and at the checkout on keying prices into the cash register.

Through Sweda Hugin will have an involvement both in the Universal Product Code system used in the U.S. and the European Article Numbering system which is being introduced in Europe. The need for Europewide agreement on standards has meant EAN is four to five years behind UPC. Hugin will thus be able closely to follow technical and market developments on both continents. One of Sweda's problems has been that its products have not always been finely tuned to the needs of European retailers. The two companies have parallel operations in a number of other countries—the UK, France, the Netherlands, Belgium, Sweden, West Germany and Mexico.

Pope plans to merge both companies' national operations—appointing either a Sweda or a Hugin executive as managing director and selling both companies' equipment under the Hugin Sweda logo.

A six-man team, based at Sweda's Pine Brook, New Jersey, headquarters, will handle the integration of the two companies. Lars Sponsberg, former corporate troubleshooter at Electrolux and one-time president of the Swedish group's U.S. operation, will head the team.

Hugin's competitors express doubts about the manufacturing and marketing benefits of the deal. How, they ask, will Pope rationalise the sourcing of the cheaper machines?

And outsiders note that Hugin's range of machines is not officially broadened by Sweda, while geographically both tend to be strong in the same markets and weak in the same markets.

Despite similar approaches to products and marketing, changes will have to be made in a number of areas at Sweda.

● Sweda's management reporting systems will have to be simplified. Hugin has been surprised at the volume of financial information Sweda produces and at its apparent inability to select the important data and act on it.

● Sweda's headquarters operation will have to be streamlined. There are more than 300 headquarters staff in the U.S., including a development team which is probably too large for Sweda's own manufacturing base.

Pope says Sweda's headquarters overhead has pushed an otherwise profitable business into the red. Worldwide operating profits of $4m in the year ended July 1984 became a loss, before interest, of $11m after charging $15m worth of overheads.

Pope is conscious that the financial strains of the takeover on Hugin mean Sweda must be swiftly brought into profit. Hugin has already identified savings of $15m on an annualised basis without taking into account the possibility of selling Sweda's Pine Brook headquarters.

To finance the Sweda purchase Hugin, an unlisted company, is increasing its share capital by 150 per cent by means of a one-for-one rights issue to the 30 British institutions which have backed it. It is issuing a further 7.5m shares to Litton in a move which will give the U.S. company a 20 per cent stake in Hugin's equity.

Hugin has staged a remarkable recovery since Pope became managing director in early 1981, inheriting a 1980 loss of no less than £25m, 70 per cent of Hugin's turnover.

It nearly doubled pre-tax profits to £740,000 in the first half of 1984 on turnover which rose from £13.6m to £16m. But it is still small fry compared with Sweda which made a loss before interest of $4m on turnover of $160m in the year ended July 1984.

Trevor Humphries

Hugin's David Pope (right) masterminded the takeover of Sweda Cash Registers—used by Sainsbury's (left)

Tough competition in the world market

"ELECTRONIC cash registers are a cut-throat market. We're heading for a repetition of what happened to pocket calculators. World production is 1m machines year. Demand is only 800,000 machines. "We will see dramatic changes over the next two to three years," so says a European manufacturer.

Hugin's deal with Sweda will inevitably expose it to greater competitive pressures. At the top end of the market for the most sophisticated systems linking dozens of check-outs, Hugin is up against the U.S. electronics giants such as IBM and NCR. Lacking resources and expertise Hugin merely markets the Datachecker system developed by National Semiconductor of the U.S.

In Europe Hugin is pitted against Nixdorf, the West German computer group, Anker Data Systems, originally a German group but now part of BTR, the British conglomerate, and ICL, the British computer maker. ICL has not been a major force in this market but achieved a breakthrough recently when it won a large order from food retailer Sainsbury for its scanning equipment.

At the lower end of the market the Japanese companies have built up a strong position. Most of the European and U.S. distributors draw on companies such as TEC, Sharp, Omron and Casio for the simpler machines. So far, though, the Japanese have proved unable to develop software for sophisticated point-of-sale systems.

The outlook is not one of unrelieved gloom for the European manufacturers, however. Tougher controls on VAT collection in Italy and Turkey have led to increased demand, while the major retailers throughout Europe now want more versatile systems. In the UK, where annual sales have hovered around the 100,000 units mark for several years, many of the machines installed to cope with decimalisation in the early 1970s are coming to the end of their working lives.

Management game

Old hands versus the young things

BY MICHAEL DIXON

"CRABBED age and youth cannot live together," said Shakespeare. But they are about to come to grips in the final of the computer-based UK national management championship in London on July 9. The four teams still left from the 550 initial entrants could hardly be more neatly ranged.

Two of them, with three members each, are mostly old hands. While not officially admitting to being more venerable than their "mid-30s," they have unprecedented experience in winning management contests. Between them, they hold 12 individual UK medals and five European trophies.

The other two teams represent the up-and-coming. One is composed of four 22-years-olds who just happen to share the same house in Leytonstone. The other consists of five 18-year-olds from Highams Park senior comprehensive school in Waltham Forest who are currently sitting their Advanced-level examinations, their common interest being mathematics. The school side has the distinction of including the only two women in the final.

Oddly enough their maths teacher is Dr Alan Frith, who was in the team of schoolteachers who finished third last year. But he says that apart from giving them a bit of help with understanding management accounts and so on, he has left them to run their "paper" company by themselves.

"They've made us proud," he says of Danny Dryer, the team chairman, and Fran Cannell, Tony Johnson, Chris Mountney and Clare Pamenter who call themselves Frandanco.

But his pride might not be altogether unalloyed. The schoolteachers' team he was playing in this year was put out of business in the semi-finals—fortunately not by his sixth-formers' side.

The knock-out was delivered by the Pastmasters. They are led by Paul Webb, a business development manager with Rank Xerox in Aylesbury, who holds four UK and two European medals. The team is completed by two managers from the Shell UK information and computing centre near Manchester. They are Geoff Brown, who holds three UK prizes and one European, and Doug Emerson who joined the side this year.

The reason he did so was the defection of a former member of the Pastmasters to a team called the Night Birds: John Chappell, a management accountant with Rank Xerox in London and also holder of four UK and two European trophies. Both the other members are former Rank Xerox staff. Jim Coakes, the chairman, left to set up his own company, Owl Computer, based in Tring. He has not won before. But Neil Tomkin, now a manager with Lombard Central, took the UK title playing single-handed in 1979.

Identical positions

Leytonstone's representatives, playing under the name Aquarius, are led by Phil Turner who is a trainee accountant with Arthur Andersen. So is Richard Pearson. Phil Smith is a trainee accountant too, but with Williams and Glyn's Bank. The fourth of the 22-year-olds, Roderick Roman, is a marketing man with Legal and General. They played in separate teams last year but got nowhere near the final.

Although sharply split in terms of experience, the four teams will all start in identical positions when they compete for the championship, which has been organised annually since 1970 by the Financial Times, ICL and the Institute of Chartered Accountants in England and Wales. The CBI and the Institute of Directors are associate sponsors.

Geoff Trewinnard, will lead the administrators of the contest. If he wishes, he can disarray the players by sudden collapses of the economy, inflict them with strikes, burn down their factories and so on.

But as yet he is apparently not planning to abuse his God-like powers on July 9. "I expect the economic conditions on the day will be not entirely unstraightforward," he says.

"There'll be quite enough bother caused by the cut-throat competition between the teams."

THE WEEK IN THE COURTS

Rules on intent put law on the spot

INDEBTEDNESS as such is not yet a crime in England, even in a monetarist economy. But it may on occasion be an element of a criminal offence.

The legal connections and distinctions between indebtedness and criminality must be considered in any discussion of last week's rulings in the House of Lords in *Regina v Christopher Allen* TLR June 14 1985.

Mr Allen booked a room at a London hotel for 10 nights from January 13 1983. He stayed on and subsequently left on February 11, 1983. The bill came to £1,286.94. Two days later, he telephoned the hotel's assistant manager. He explained that because of some business transactions he was in financial difficulties. He said that he would return to the hotel on February 18, 1983 to remove his belongings and leave his Australian passport as security for the debt.

After he arrived at the hotel on that date, he was arrested. He said he genuinely hoped to be able to pay the bill and denied acting dishonestly.

In March 1983, when the bill was still unpaid, he gave details, in a public interview, of his financial problems and difficulties.

In November 1983, he was convicted at Southwark Crown Court of making off without payment.

Section 3 of the Theft Act 1978 provides that "a person who, knowing that payment on the spot for any goods supplied or service done is required or expected from him, dishonestly makes off without having paid as required or expected and with intent to avoid payment of the amount due shall be guilty of an offence."

A defendant can be tried for this either at a magistrates' court or by jury at crown court.

There are four elements of the offence: that the defendant in fact made off without making payment on the spot; that he knew payment on the spot was required or expected of him; that he acted dishonestly; and that he intended to avoid payment.

Mr Allen's defence was that he had acted honestly and genuinely expected to pay the hotel bill from the proceeds of various business ventures. He intended, at the most, to delay or defer payment.

The judge directed the jury that a person made off with intent to avoid payment if he intended to avoid payment at the time payment was due. The prosecution did not have to prove Mr Allen intended permanently to avoid paying the hotel bill.

Mr Allen appealed on the ground that the trial judge's directions to the jury were erroneous in law.

On May 16, 1984, the Appeal Court allowed his appeal, and ruled that an intent to avoid payment permanently was e necessary ingredient of the offence of making off without payment.

This was not acceptable to the prosecution. There was a further appeal to the Lords which last Thursday failed.

There were two main reasons for the Lords conclusion. The first was "the mere force of grammatical construction." Lord Hailsham quoted with approval Mr Justice Boreham's judgement in the Appeal Court.

If the intent to avoid payment meant, or was taken tn inclnde, no more than an intention to delay or defer payment of the amount due "it is difficult to see what it adds to the other elements" of the offence. Anyone who knows that payment on the spot is expected or required and who then dishonestly makes off without paying as required or expected must have at least the intention to delay or defer payment."

It followed that the phrase "and with intent to avoid payment of tha amount due" added a further ingredient—an intention to do more than delay or defer, an intention to evada payment altogether.

The other reason for the conclusion was that if an intention to delay or defer payment was to be unlawful, the section could and should have been worded unambiguously and explicitly as "with intent to avoid payment of the amount due as required or expected."

These views of the law contrast strongly with the opinions of some academic lawyers. For example Professor Edward Griew said in his textbook on the Theft Acts: "Section 3 does not require an intent to make permanent default.

"The phrase 'intent to avoid payment' . . . clearly means en intention to avoid the on-the-spot payment known tn be required." If a defendent intended to pay later, his defence must be that he did not make off dishonestly.

This academic view did not correspond with the view expressed in the 13th report of tha Criminal Law Revision Committee which resulted in the 1978 Act. The committee wrote: "There was general support for nur suggestion that where tha customer knows that he is expected to pay on the spot for goods supplied to him or services dona for him it should ha an offance fnr him to go away without having paid and intending never to pay."

The Appeal Court ruled that this report could not he referred to or relied upon as an aid to interpreting tha 1978 Act.

Lord Hailsham said the report was relevant in enabling a court to decide and define the nature of the mischief to be dealt with by Section 3 of that Act.

This represents a useful contribution to the rules governing the interpretation of statutes.

In his speech, Lord Hailsham suggested it might be worthwhile to create a criminal offence to protect cab drivers and restaurateurs against people who dishonestly absconded without paying on the spot. This offence could be tried only by magistrates.

The prosecution would not have to prove the defendant's intent to avoid payment or disprove the intention to pay later, but would have to prove that the making nff was dishonest.

This suggestion was made cautiously, and should be considered cautiously. The creation of new crimes puts further strains on an already hard-pressed legal system. What ought to be considered more urgently are the appropriate steps to take to create now conditions which will remove or reduce the causes end the occurrence of crime.

In any event, are criminal sanctions appropriate to deal with persons who intend to delay or defer payment of their debts as distinct from persons who intend never to pay their debts at all?

Justinian

APPOINTMENTS

Mitchell Shivers joins Kleinwort Benson

Mr Mitchell Shivers has been appointed to the board of KLEINWORT, BENSON and will becoma president of Kleinwort, Benson Inc, the underwriting and securities dealing subsidiary in New York. He has also been appointed president and chief executive officer of Kleinwort, Benson Government Securities Inc, the Chicago-based primary dealer in U.S. government securities. Mr Joseph Planché will remain an executive director and trading manager of KBGS. Mr Shivers was with Merrill Lynch from 1973 to 1981 before joining Samuel Montagu and Company in London, where he was an executive director and member of its management committee. At Samuel Montagu, he was deputy head of its international capital markets division, responsible for syndication, trading and sales.

★

Mr Quinton Hazell has been appointed a non-executive director of BANRO INDUSTRIES. He was the founder and chairman of Quinton Hazell (now part of Burmah Oil). He is also a director of Hawker Siddeley Group and Foreign and Colonial Investment Trust, chairman of F and C Enterprise Trust and president of Supra Group.

★

Contracts manager Mr Tim Allen has been appointed to the board of AIR CONTROL UK.

★

Mr Mike Hann has been appointed a director of BULL THOMPSON AND ASSOCIATES. The company has recently acquired the business of Bull Holmes (Management). Mr Hann was a director with Odgers and Company.

★

Mr Brian G. K. Downing, managing director of BENN BROTHERS, has also become chairman in succession to Mr Alan B. Brooker. Mr Brooker is chairman and chief executive of Extel Group, which acquired Benn Brothers two years ago. Mr Downing is a director of Extel Group and joined the company in October last year to take over responsibility for the management and development of Extel's publishing interests. Previously he was 25 years with IPC Magazines and Mirror Group Newspapers.

★

Mr Peter Bicknell has joined ST JAMES'S and has been appointed a director of St James's Public Relations from June 17. He has beeo director of European public affairs for Citibank since 1977.

★

NATIONAL AND PROVINCIAL BUILDING SOCIETY has made the following appointments: Mr R. Keith Mather becomes solicitor to the society. He was mortgage services manager. Mr Steven Rollinson has been promoted to secretary from assistant secretary. Mr Colin Jackson has been made mortgage services manager. Ha was new advances manager. Mr David Cox becomes mortgage new business manager, with responsibility for housing. Ha was housing manager.

★

Mr Jim Ellis, SEEBOARD'S marketing manager, has been appointed commercial director designate from July 1 and will succeed Mr John Fuller when he retires on December 31.

★

CIATION. Both Mr Brian Denney, of Denney O'Hara, and Mr David Palmer, chairman and chief executive of Willis Faber, were re-elected as deputy chairmen.

★

HONGKONGBANK group has appointed Mr Edward Clifton-Brown manager of a new private banking department to service customers of the Hongkong and Shanghai Banking Corporation and tha British Bank of the Middle East in tha UK. Mr David Clasper and Mr Peter Day have been appointed assistant managars.

★

Mr J. E. Parsons will retire from the NOTTINGHAM MANUFACTURING COMPANY in August. He was deputy chairman and group managing director. From July 1 Mr A. H. Macdiarmid becomes deputy chairman and group chief executive. He joined the group in 1965 and since 1975 has been group finance director. He is succeeded by Mr S. B. Russell, group chief accountant. The following senior executives, who were appointed associate directors in 1977, are now appointed main board directors. Mr C. S. Bruce, Mr J. E. Christian, Mr R. Hextall, Mr A. S. Markson, Mr D. L. Marlow and Mr G. Smith.

★

SIMMONS & SIMMONS has appointed the following new partners from July 1: Mr Paul Mitchard, Mr Gordon Stewart, Mr Christopher Wilkinson, Mr David Thompson, Mrs Helen Newman and Mr Martin Cornish.

★

Mr Christopher Wright has been appointed assistant general manager for COLONIAL MUTUAL LIFE ASSURANCE SOCIETY. He was previously manager for the Society for the whole of New South Wales.

★

THE ROYAL BANK OF SCOTLAND is offering facilities for setting up a franchising business. To co-ordinate the work of individual branch managers, the bank has appointed as franchise manager Mr Ron Campbell. Until taking up this new post, based in the head office in Edinburgh, Mr Campbell worked as part of the business development team based in Aberdeen. The sister bank, WILLIAMS & GLYNS, has established similar facilities, and has appointed as its franchise manager Mr Alan K. C. Auld, based in the bank's head office in Lombard Street. He was manager of the King's Cross branch. The banks merge on September 30.

★

Mr Anthony C. Groves has joined FREDERICK W. EVANS as technical director. He was with Barrington Plastics.

THE ARTS

Architecture/Colin Amery

The tricky art of judging public taste

ARCHITECTURE Colin Amery

T?e Royal Fine Art Commission sounds, from its very title, as though it ought not to exist. What has "fine art" to do with committees, or with royalty for that matter? What committee of taste ever did more than talk about the subject among its members?

This one was founded in 1924 "to inquire into such questions of public amenity or of artistic importance" as may have been referred to it by government or public bodies. From this role as a passive deliberator, it has been further empowered to look at projects or developments which "may appear to affect amenities of a national or public character." To this end, the commission has been given the powers to summon architects (even artists?), call for plans, and visit sites. It can only give advice, which is sometimes taken but just as often ignored.

Last week, the commission published its first report for 13 years in which it airs its worries and reveals its methods, often trying to explain the unexplainable. The secretary, Sherban Cantacuzino, tries in this document (*Royal Fine Art Commission, Twenty-Second Report 1971-1984*, Cmmd, 9498, HMSO), and with considerable success, to explain how this strange body works and the results it has achieved.

At present there are 15 commissioners under a chairman, Sir Derman Christopherson. Nine are architects and the others a mixed bag of historians, one sculptor and, as the report puts it, "overlapping" members of other committees in similar fields.

This report shows they are a hard-working bunch. Over the 13 years they have looked at hundreds of schemes and proposals — all of them architectural or environmental. A glance at a (usually unsatisfactory) public sculpture is as far as their involvement in the traditional fine arts extends. Francis Bacon or David Hockney are not hauled before these august judges and asked to explain themselves.

Taste is a tricky area. This commission is not modest in its aims, as this quotation from the report shows: "The commission aims to provide judgments about the quality of design which will be widely recognised as authoritative on matters of taste, in the sense of 'discernment of what is socially right.'" In fact, this makes its activities sound positively Soviet. An innocent bystander might expect to see socially realist works of art issuing from the commission's own offices—or, at the very least, guidelines to tell us all what we should like to look at.

In fact, its activities are both much more harmless and more helpful than that misleading definition would suggest. What influence it has stems from the public's uncert[illegible] real function.

The repo[illegible] difficult it is to be a judge in the realms [illegible] collective wis[illegible] ped a great dea[illegible] bad commercial architecture spoiling our cities. The commission's views on high buildings did not stop the Hilton hotel or the Knightsbridge barracks from ending the illusion that the royal parks are a rare form of Elysium. Public opinion runs ahead of bodies like this.

The report calls insistently for an architecture that is appriate to its surroundings; but admits, more than a little naively, that achieving this would be easier if "more architects were prepared to forego their urge for self-expression and adopt instead the more modest approach of trying to understand the nature of the site and of the existing buildings to which their own design should respond." Surely it means more *bad* architects . . . ? One is tempted to ask, what price creativity?

It is hardly surprising that there has been what the report calls a "collapse of confidence" in tha arbiters of taste when some of the practitioners of much recent architectural mediocrity hava in the past 13 years actually been members of the Royal Fine Art Commission. It is not possible to ask for confidence in your opinion if you are simultaneously on the jury and in the dock.

Charlie Chaplin in Leicester Square and the new Chinese Embassy flourish despite the efforts of the Royal Fine Art Commission

It would be wrong to give the impression that the Royal Fine Art Commission has achieved nothing in these last years. In the 1980s, in particular, it has made great efforts to help local authorities. In fact, its most useful role has been as a body to which the local authorities can turn as an outside arbitrator—here, the commission's independence and *lack of bureaucracy can speed* up the planning process and assist in raising provincial standards.

The commission is right to deplore the *low* standard of much public sculpture, the overuse of mirror glass in many buildings, the prevalence of a kind of "planning permission vernacular," and the dangerous freedom enjoyed by foreign embassies to vandalise or destroy their premises. But many of its strongly-held views can be disputed. The commission's support for the Coin Street proposals by Richard Rogers; for the National Gallery "carbuncle" scheme; for the ill-fated and over-scaled Arup Associates library at Clare College; and for the rather dubious looking Broad Sanctuary Government Conference Centre by Powell and Moya: all are examples of the received taste of a certain generation. There are equally strong and valid opposing views on all these works of architecture—indeed, two of them were rejected by public inquiry and will not be built.

There is no mention in the report, either, of the extensive building programmes carried out by extravagant water authorities in recent years. The loss of so much of quality in the London docks is unrecorded here, the rash of out-of-town shopping centres has not merited comment, and there are other gaps. But 13 years is a long time to wait for a report and in future it will be a regular annual statement — which would be useful for all concerned with the environment.

I should like to see the commission continuing the work it has started to encourage patronage of good architecture particularly, from commercial sources — but I doubt we ever could agree on a suitable definition. The Royal Fine Art Commission is a kind of aesthetic nanny — and nanny is not *always* right.

Arabella/Glyndebourne

David Murray

Revived from last season with all-new principals, John Cox's production of Richard Strauss's *Arabella* makes an extremely happy evening at Glyndebourne. There are three principal performances of great distinction, very well supported, and Cox's production is justly attuned to what matters most in this "difficult" bourgeois comedy—for that is what it is, despite all the minor titles boasted by the *dramatis personae*. Julia Trevelyan Oman's costumes are a marvel of tact and perception (surface details matter a lot in *Arabella*) and her sets make ingenious use of the modest stage.

Arabella cries out to be played in the language of the audience. Glyndebourne has again opted for tha original German, and the provocative ambiguities of Hofmannsthal's text are half wasted—though not on the cast, who know well enough what they are about. Perhaps an English version could not have accommodated Peter Weber'a Mandryka or Ernst Gutstein's Count Waldner, who are too good to lose. Gutstein's amiably seedy Count is a very model, gracious and shifty, with full resources of voice and gesture to lay the character bare, and he is genuinely funny.

Zdenka (Katalin Farkas) and, right, Arabella (Felicity Lot)

That is partly because he keeps in mind how old Waldner looks from the outside. All the other major roles are played at their own valuation, losing some ironic edge but making the sentiments full-blooded. That Mandryka, Arabella's unexpected Croatian suitor, is a noble soul emerges perfectly in Weber's splendid incarnation (bearded, lofty, a-tremble with devotion); we hardly see that he is also a little bit ludicrous, nor do his earlier scenes give a hint of his innocently brutal side—though his violent reaction to the crisis, when it comes, is impressive. That said, it is still a moving, richly detailed performance.

In love or looking forward to it, Felicity Lott's Arabella is wonderful. The singing is pure gold, the warm authority of her phrasing a joy. What we do not see is the dazzling coquette: she first arrives severe and unsmiling, which makes no sense of sister Zdenka's feelings about *débutante* ways, and pre-empts the dark turn of the "Dein Elemer . . ." soliloquy. That will surely come right. Zdenka herself is a small, appealing Hungarian soprano, Katalin Farkas, safer in recitative than in more demanding music. Her raptures are nice, though the dizziness of the character is rather missed.

Their moher is Elisabeth Glauser, who could pass for another sister, but makes an unusually positive Adelaide: big voice, interesting timbre *much vivacity*. *Jerome Pruett* is an upstanding young Matteo, perhaps too straight and sensible for the romantic debacle he gets himself into, but blessedly un-weedy. David Hillman's Elemer blusters and preens, which must be wrong: Elemer needs to be a decently plausible candidate for Arabella's hand. Among the lesser suitors, Geoffrey Moses offers a particularly charming cameo of Lamoral, bespectacled and bemused.

The role of the Fiakermilli is one of Strauss's worst inventions; Karen Beardsley, plucky and strident, does what she can with her. There is a good Fortune Teller from Enid Hartle. Happy memories of Andrew Davis's conducting of *Capriccio*, a few years back, are confirmed by his lively and sympathetic work here. The *London Philharmonic* mostly plays admirably but the string solos in "Dein Elemer . . ." sounded crudely smoochy against Miss Lott's assured, elavated line.

He Who Gets Slapped/Sir Richard Steele

Michael Coveney

Leonid Andreyev's 1915 play, about a ponderous intellectual assuming the role of a white face clown and masochistic butt in a travelling circus is the latest example of an unfortunate fringe theatre phenomenon: the amateurish, uninspired studio troupe—the Sir Richard Steele pub is on Haverstock Hill, NW3—traps the inquisitive critic (and the odd gullible customer) on the bait of a rarely-seen classic.

In this case, because the production was first mooted at Riverside Studios, there is at least a competent design by Brien Vahey and Francesca Boyd. Striped circus canvas surrounds the acting area, there is a fair stab at conjuring the aroma of the Big Top with the occasional clownish tumble and ambulant talking white bear; the use of bare bulbs and decorative masks is pleasant enough.

But Adrian Jackson's production fatally misses the potent mix of Gorkyesque realism and ambitious symbolism that was Andreyev's trademark. Characters such as Rosie Best's chain-smoking gypsy lion-tamer and Simon Linnell's leech-lika Italian count are mere sketches in self-absorption fired hopefully over the audience's heads, careless both of others around them and of stage properties.

Drinks are spilt and cigarettes dropped on tha floor with the true panache of coarse theatre, a term I have not had cause to employ since I last saw Graham Lines (in *Bus Stop* at Sonniog) and here is the indefatigable Mr Lines once again, tripping over his namesakes and aiming to convince us that he is a dyed-in-the-wool circus manager by wearing big boots and peering down his nose at anyone who comes within five yards.

The "He" who gets slapped is played by Gerard Bell with a weak and rolling "r" and, as is apparent once he slips into full clown costume for the last act, an abundance of ginger shoulder hair. The only time the play comes into any sort of focus is when the one decent actor on view, Kilian McKenna, turns up as the Gentleman, the successful vulgariser of "His" ideas and successor in "His" wife's affections: "She and I love you even when we're in bed." Steve Fitzpatrick's adaptation, rambling and indecisive in the later stages, falls to convey, as does Mr Bell, the peculiarly intense and melancholic despair at the root of "His" adventure.

"He" finds unfulfilled love in an infatuation with the count's daughter Consuela, "the barebacked tango queen." The issue of her death by poison is unclear and the cast is unable to survive the high-flown definition of the sandwich-scoffing lease in a tutu as either an awakening goddess or the white sea foam flying to the sun. I wasn't too sure about the barebacked tango queen, either. Consuela's athletic blond colleague Bezano (Jason Watkins) seemed much more fitted to that particular bill.

Pound/ADC, Cambridge

Rodney Milnes

Ezra Pound's first opera, *Le Testament de François Villon* (his second, *Cavalcanti*, remains unperformed), was given its first staged performance in Britain on the occasion of the poet's centenary as part of the Cambridge Poetry Festival.

Pound's involvement with music was more than just that of an amateur. He wrote fortnightly music criticism in the *New Age* from 1917-20, and a "Treatise on Harmony" in collaboration with the avant-garde American composer George Antheil. His interest in the troubadours and friendship with Arnold Dolmetsch led logically to the pre-Baroque and to *Le Testament* (1923), which marches shoulder to shoulder with Satie and Stravinsky in the post-war anti-neo-romantic movement.

"Opera" is not quite the right word—10 years ago *La Testament* would have been called "music-theatre." It is more a linked song-cycle, settings of Villon's poems of the same title lasting under an hour and involving nine soloists and a chamber orchestra of 15. A sense of unity is suggested by the raunchy subject matter and, musically, by a *ritornello* for swanee whistle and side drum. The performance was given in the original French, rightly, I am sure, so such phrases as "Ou sont les neiges d'antan" came as manna in the desert.

Pound's over-riding preoccupation was with word-setting, and specifically with verbal as opposed to inherited musical rhythms. Strophic structures are few and far between, and plainsong-style monody prevails. The accompaniments are mostly spare, with solo instruments either in momentary unison with the voices or providing rudimentary counterpoint. The comparitive austerity of texture is leavened by occasional ensembles and moments of diatonic harmony; the long a *cappella* final chorus, "Frères humaines," is in every sense the climax of the work.

The piece must be the very devil to conduct: no two successive bars seem to bear the same time signature. Gordon Fairbairn coped calmly, if without achieving ideal precision of ensemble; the word "unison" could be used only relatively. The instrumental solos sounded at times tamer than Pound might have wished ("Trombbones as rowdily and boozily as possible," he wrote, *à la* Grainger, but they were decidedly decorous). There may well be more spirit at later performances.

Terence Sinclair's production, in a rag-and-rope set constructed from *objets* that looked as if they had been *trouvés* in the theatre at the time, was excessively busy and lit with somewhat random abandon. "Act *mad*, darlings," one felt he had said to the cast, which meant that there was a good deal of nit-picking in the non-figurative sense, and the whores were as brazen as only amateur whores know how. A sparer, indeed alienated style of presentation would surely have yielded more and been more in tune with the *Zeitgeist*.

The title role was sung by John Milne, whose well-schooled baritone and kempt demeanor gave musical pleasure if not quite the right Villonesque impression. John Upperton'a tenor Gallant was forcefully projected, and Rachel Sherry sang with much beauty as Villon's dead mother

Coins and medals on the move at the BM

The Coins and Medals department at the British Museum will be closed to visitors from Juna 24 to July 27 while its collections are moved into new premises on the first floor.

Maazel/Barbican Hall

Max Loppert

After a long-ish period of appearing here only with visiting orchestras, Lorin Maazel has returned to conduct two London Symphony Orchestra concerts. Both take the same simple, satisfying form—a great Viennese Classical symphony followed by a Russian masterwork. Saturday brought the Schubert Great C Major and *The Rite of Spring*; last Thursday it was the Mozart G minor, K550, and the Chaikovsky Fifth Symphony.

Maazel remains a master of concert craft — the occasion made that clear. He knows exactly what he wants out of an orchestra, and exactly how to *achieve* it. The problem with his concert readings, I find, is that what he wants so often appears to be an overall effect of cool calculation; the music-making so often lacks spontaneity, warmth, genuine flow.

On Thursday, the G minor Symphony was given a very stately performance. Despite the reduction in the number of string desks, there was no attempt to lighten the execution of those players that remained; instead, the contours of the musical argument were themselves enlarged. This process was at its most successful in the first movement, which—once one had adjusted to the heaviness of gait—unfolded with impressive breadth of purpose. Thereafter, however, an air of un-Classical ponderousness took over. No spring or lift invigorated the articulation of the Andante, no breath of freshness touched the phrasing of the Scherzo. In its way, the control over such massive Mozart was masterly; but massive Mozart that remains obvious as such is not a very pleasurable experience.

The Chaikovsky symphony sounded rather less unidiomatic. Again, there was much about the control of its unfolding that had to be admired—where some conductors rush *towards climaxes* and make a huge noise when they get there, Maazel and the LSO reached them steadily, and kept a nice balance of forces even in the heaviest climax. Yet once again, the "studied" side of the conductor insinuated itself between the listener and the music, inserting self-conscious punctuation points into the melodic phrasing, placing Chaikovsky'a interrogations or desperate interruptions with the artfulness of a highly practised public orator. The grand tragic sweep that is this symphony's authentic style of address was nowhere in evidence.

Faceless Foreigner still attracts

Foreigner must be one of the most faceless of supergroups, and for much of their weekend performances at Wembley they also seemed the most featureless. Still, it is hard to argue with album sales of over 25m and a full Arena. For some reason, thre are enough customers for Foreigner's brand of heavy metal with keyboard excesses as against their many more flamboyant competitors.

It cannot be their looks: the four Anglo-American members would look anonymous in a dole queue; nor can it be their stage presence, exciting as wax in the ears. Even the music is energetic rather than exhilirating and hardly original.

For some of Friday's concert it looked as if the audience was having doubts, too. It was only when the boys were joined by a substantial black choir in white smocks to back up their monster hit, "I want to know what love is," that Wembley stirred. This slow ballad suits the vocals of Lou Gramm and, although it sounds like the perfect melody for a Coca-Cola commercial, it did warm up the night.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Music

June 14–20

LONDON

London Philharmonic Orchestra and Brighton Festival Chorus conducted by André Previn and Pinchas Zukerman, violin. Jacob Druckman, Mendelssohn and Ravel. Royal Festival Hall (Mon). (928 3191).

National Youth Jazz Orchestra conducted by Bill Ashton and Paul Hart. Queen Elizabeth Hall (Mon). (928 3191)

Pinchas Zukerman and Marc Neikrug, violin and piano. Beethoven, Prokofiev and Latoslawski. Royal Festival Hall (Tue).

Chamber Orchestra of London and Tallis Chamber Choir conducted by Philip Simms. Mozart. Barbican Hall (Tue). (638 8891).

Royal Philharmonic Orchestra conducted by André Previn with Vladimir Ashkenazy, piano. Brahms, Beethoven and Walton. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra conducted by André Previn with Pinchas Zukerman, violin and Yo Yo Ma, Cello. Brahms and Prokofiev. Royal Festival Hall (Thur).

London Symphony Orchestra conducted by Barry Tuckwell, horn, with Oleg Maisenberg, piano. Wagner, Mozart, Beethoven, R. Strauss. Barbican Hall (Thur).

PARIS

Orchéstre National de France conducted by Wolfgang Sawallisch: Beethoven's Missa Solemnis (Mon). Saint-Denis Basilica, Metro Saint-Denis (524 1516).

Orchéstre Philharmonique de Strasbourg conducted by Theodor Guschlbauer, Alexis Weissenberg, piano: Brahms, Roussel (Mon). TMP-Châtelét (233 0000).

Julia Varady, recital, Helena Bechkirova, piano (Mon) Théâtre de l'Athenée (742 6727).

Radu Lupu, piano: Beethoven, Schumann (Tue). Théâtre des Champs Elysées (723 4777).

ITALY

Rome: Auditorium of Via della Conciliazione: *Zubin Mehta conducting* the New York Philharmonic Orchestra im Mahler. (654.1044).

Milan: Teatro Alla Scala: New York Philharmonic conducted by Zubin Mehta, Georges Crumb's A Haunted Landscape, Dvořák, Ravel and Mozart (80.91.26)

Florence: (Maggic Musicale): Teatro Communale: Zubin Mehta with the New York Philharmonic playing Bach, Druckman and Strauss (Mon). On Tuesday Christian Badea conducting the Orchestra of the Maggio Musicale, Scarlatti, Dallapiccola, Wagner and Strauss (27.79.236)

NETHERLANDS

Amsterdam, Concertgebouw, Ivo Pogorelich, piano. Schumann, Prokofiev, Chopin (Mon). Mauricio Kagel's Die Mutation from the Radio Philharmonic Orchestra and the Broadcasting Choir and Chamber Choir conducted by the composer, with Peter Borchard, narrator, Bart Hermelijn, mime and Maarten Bon, piano (Tue); Kyung-Wha Chung, violin, and Kristian Zimmerman, piano. Beethoven, Schumann, Webern, Respighi (Thur). Recital Hall: The Cecilia Consort, Bartok, and premieres of works by Tristan Keuris and Jan-Rokus van Roosendael (Tue). Lunchtime concert from the Matisse Trio (Wed). (71 8345)

The Hague, Congresgebouw. Hans Vonk conducting The Hague Philharmonic, with Roberta Alexander, soprano, Jard van Nes, contralto, and the Rotterdam Toonkunst Choir under Jan Eelkema. Mahler (Thur). (54 80 00).

Rotterdam, De Doelen. James Conlon conducting the Rotterdam Philharmonic, with David Golub, piano. Beethoven (Wed). (14 29 11).

VIENNA

Kyung Wha Chung, violin, and Kristian Zimmerman, piano. Beethoven, Schumann, Webern and Respighi, (Mon). Konzerthaus, Mozart Saal.

Vienna Hofburg Orchestra conducted by Gert Hofbauer. Waltzes and Light Opera (Tues and Thurs). Musikverein.

TOKYO

Vancouver Symphony Orchestra, conducted by Kazuyoshi Akiyama; piano, John Kimura Parker, Brahms, Mahler. Tokyo Bunka Kaikan. (Tue) (571 1680; 237 9990).

NHK Symphony Orchestra, conducted by Hans Drewanz, soloists John O'Conor, Yukie Okura. Beethoven, Mahler. NHK Hall. (Wed, Thur). (465 1780).

Edith Picht-Axenfeld and Naoyuki Inoue, (piano): Mozart, Brahms, Debussy, Schubert. Kan'i Hoken Hall, Gotanda. (Mon) (461 2590)

Saleroom/Antony Thorncroft

Mantegna and Getty

Now that the euphoria over the £20m given by J. Paul Getty, Jnr, to the National Gallery—to be raised to £50m as soon as possible—has died down, a more rational view can be taken of the generous gift. It will not enable tha National Gallery to acquire any picture it wants, but it does give it more of a chance when competing with *the richly endowed museums of* the U.S.

The additional purchasing money was put into perspective by the news on the same day that Lord Gowrie, the Minister for the Arts, was withholding for six months an export licence on Mantegna's painting "The Adoration of the Magi," which the J. Paul Getty Museum at Malibu bought at Christie's in April.

Malibu paid £8,247,500 for the Mantegna, and the UK now has six months to raise a matching sum. But, even when it has all its £50m invested, the extra purchasing money that the National Gallery gains approaching £5m a year, plus its existing purchasing grant of £2.3m from the Government, would still leave it short of the price of the ona Mantegna painting.

Not that the National Gallery is especially interested in this work: it already has on display four Mantegna paintings. It will leave the rescue operation to Mr Timothy Clifford of the National Gallery of Scotland, who faces a daunting task. Its greater resources will ensure that the National Gallery might secure in future good pictures by Old Masters just outside the first division, such as Guido Reni's "David with the head of Goliath" which sold at Sotheby's in April for £2.2m, with the National Gallary among the under-bidders.

Although Sir Michael Levey, director of the National Gallery, is anxious to buy pictures by more modern artists, or rather works of the late 19th and early 20th centuries, he will not be bidding at this week's most important auction—19th century paintings at Sotheby's on Tuesday evening.

Although there are works on offer by the fashionable Tissot and Alma-Tadema most interest will be shown in two paintings by Sir Edward Poynter, one of the giants of his day who still awaits modern appreciation. His "Chloe," in perfect condition, should exceed £160,000.

Another work likely to exceed a top estimate of £60,000 is "Thisbe, or the Listener" by Waterhouse: a recent rediscovery, it had sold at Sotheby's in 1934 for £86 and was later owned by Randolph Hearst. One of the best paintings by George Frederick Watts to appear on the market in years, "Diana and Endymion," is modestly estimated at £15,000-£25,000.

FINANCIAL TIMES

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Jeux sans frontières

THE EUROPEAN commission has responded with relish to a request by the European heads of state to produce plans for a single large market in Europe by 1992. Its White Paper, Completing the Internal Market, is not a compendium of the many different paths to this objective. It invites the forthcoming Milan summit to define the goal as nothing less than the removal of all intra-European frontier formalities by 1992. Then, with remorseless logic, it spells out the consequences.

"They asked for it. They've got it," says the zealous, new internal market commissioner, Lord Cockfield. As his tone implies, there is something in this White Paper to make every member government shudder. Checks, whether for drugs, terrorists, unhealthy food, sick animals or merely the gathering of trade statistics will have to move from frontiers to the interior of the member states.

Freedom of choice

There will have to be a quantum leap in each member's acceptance of the standards applied by all the others. This move towards "mutual recognition," rather than strict harmonisation, will have to apply across the board from industrial standards—where it has already been accepted—into much more contentious areas such as import policy, immigration policy and supervision of financial services.

Governments will lose a great deal of their freedom of choice in the way they raise indirect taxes. Total tax harmonisation will not be required, any more than it is in the U.S., where different states apply different sales taxes. But the variations between European countries in excise and VAT rates on different products will have to be much smaller if border controls are to be removed without inviting tax fraud and evasion.

It is not hard to predict the objections that will be raised by the member states. The tax plan will cause grave reservations in Ireland, Denmark and Britain. Germany will balk at mutual recognition of financial supervision.

Britain has an historic preference for border controls over internal scrutiny. France and Italy will worry about the free market, free trade undertone running through the document. Little more than lip service is paid to the idea of EEC spending programmes to improve European technology or to support Europe's problem areas against the impact of freer competition. The question of Europe's external commercial policy is left open.

There is a real danger that the Commission's vision has been portrayed too honestly to be acceptable and that governments will now challenge the basic premise of the White Paper—that border controls should be removed. Yet it is chiefly this premise that drives the timetable of some 300 decisions the Commission is asking the Council to take by 1992. This is Lord Cockfield's equivalent of Customs Union, the goal which spurred the EEC in its first 12 years.

The Commission can justify its stance by referring to statements of the founding fathers and numerous directives and communiqués endorsed by the council. But there are two more compelling reasons why this White Paper deserves support. The first is that the European economy needs shock therapy if it is to hold its own against a reinvigorated U.S. and the newly emerging industrial nations and to allow less developed countries to profit from their comparative advantage. Mounting unease about "Euro-sclerosis," reflected in the article on this page has brought the idea of the internal market to the fore.

The second point is that the Commission has rightly exploded the fallacy that Europe can somehow enjoy the benefits of a market of 320m people without substantial concessions of national sovereignty. The White Paper shows clearly that the internal market offers no painless way to develop the Community.

Cynical vision

The UK, in particular, faces a challenge. Partly to deflect further political development in the Community, Britain has led the charge in demanding the free internal market implicit in the Treaty of Rome. Its vision will appear particularly cynical if it now insists that what it really wants is the internal market *a la carte* with progress restricted to those areas where the UK is already well-placed or virtuous.

With its points of entry being, by nature, both internal and external to the EEC, and with its physical separation from the other member states, the UK is in a privileged position to endorse the Commission's vision, and the approximation of indirect taxation in particular.

With such a mountain of vested interests and national attitudes to be cleared away, it will be a miracle if Europe's border posts are dismantled by 1992 whatever the government leaders decide in Milan. But the European Community needs a clear and pragmatic goal and the Commission has provided a worthy one.

Can Europe catch up?

A divided continent in search of its lost vitality

Guy de Jonquieres in the first of a major series

FOR THE past three years, western Europe has been wrestling with its worst crisis of economic self-confidence since the first Opec oil shock.

Dazzled by the brash euphoria of the U.S. economic resurgence and the relentless industrial advance of Japan, Europe has been wondering why it has been left out of the party.

Much of the vigour and self-assurance it exhibited for almost three decades after the Second World War have evaporated. Fears are widely expressed that, at best, it can hope only to arrest a further decline in its relative growth and international competitiveness; at worst, that it will slide steadily into an economic and technological backwater.

Many leading European industrialists are scathing about its lack of dynamism and fragmented, sluggish markets. Dr Wisse Dekker, chairman of Philips, the large Dutch electrical and electronics company, warned recently that unless things improve soon, multinational concerns will pack their bags and leave.

Non-Europeans, led by the Americans, have been happy to point the finger. On a recent visit to Japan, the politest comment was that Europe was "very conservative." "I wish you a happy catastrophe to make you wake up," was the prescription of one leading industrialist.

Such sweeping generalisations are bound to invite exceptions—particularly when they concern 20-odd countries whose strongest common trait is diversity. Critics who speak of Europe as if it were a cohesive entity may be unintentionally flattering: contrasts between the relative economic and industrial strengths of different European countries are often at least as sharp as those with the rest of the industrialised world.

Europe has some big international successes in industries as varied as pharmaceuticals, food processing, space launchers and motor vehicles. Less conspicuously, countless smaller companies have also carved out solid niches in world markets for products which are often mundane but nonetheless highly profitable.

None of these qualifications can, however, conceal Europe's collective failures and self-inflicted handicaps. Three stand out:—

- High unemployment, expected to reach 11 per cent this year against a stable 7.25 per cent and 2.5 per cent in the U.S. and Japan respectively. The U.S. creation of some 20m net new jobs since 1970 contrasts with a stagnant European jobs pool.
- Preservation—often with government support—for outdated and fragmented industrial structures suffering excess capacity and inadequate economies of scale. While precocious upstart firms have shaken up large tracts of U.S. business, Europe has staked its hopes largely on established companies. When these shed labour, there are few newcomers to take up the slack.
- A flagging effort in high-technology. The Paris-based Organisation for Economic Co-operation and Development warned recently that on recent trends, "Europe would increasingly tend to become a net supplier to the rest of the world of food and raw materials and low-technology manufactured goods," where it is likely to face fierce competition from less developed countries.

European-owned companies account for less than 10 per cent of the world semiconductor and computer markets. The U.S. and Japan respectively sell the EEC three and five times more computer equipment and electrical goods than they buy from it and use between four and five times more silicon chips per capita.

To a large extent, Europe has performed best in those industries where it has been able to build incrementally on an existing comparative advantage, such as specialised engineering and manufacturing. Though the initial impact of the new technologies caught almost everyone by surprise, adaptation has invariably gone most smoothly in countries such as West Germany, Sweden and Switzerland which have traditionally set much store by a high level of technical skills and training.

Where Europe has most obviously failed is in capitalising on technological innovation to create any really flourishing new types of economic activity. In spite of the recent emergence of "sunrise" entrepreneurs in Britain and France's massive state-backed efforts in *telematique* systems combing computer and communications technology, neither country has managed to produce any truly world-class successes.

Does it matter? Mr Lothar Spaeth, Prime Minister of Baden-Wuerttemberg, whose economy is based on a broad range of engineering industries, thinks most of them are secure for the next decade. But like some in the industries, he worries about their longer-term future unless Europe makes a much more forceful commitment to catching up in high-technology.

Europe still has ample supplies of the necessary human, technical and financial capital. It also already has plenty of good technology: the EEC's share of U.S. patents rose from 14 per cent in 1962 to 21 per cent in 1981, which was still ahead of Japan's 14 per cent.

Where it falters is in the management and organisation needed to turn these resources into profitable growth businesses. Siemens, West Germany's largest electrical group, employs 36,000 researchers yet its high-technology sales have grown no faster than its heavy engineering divisions. GEC, one of the few UK companies with the size and skills to make an international impact in office automation and communications, disbanded its information systems group last year.

Europe's financial institutions—and some industrial companies—are awash with cash. Yet European venture capitalists complain they have to invest many of their funds in the U.S. because they cannot find enough entrepreneurs to back at home. Meanwhile, transplanted entrepreneurs abound in California's Silicon Valley and along Boston's Route 128.

Many industrialists blame Europe's missed opportunities on its patchwork of national markets, divided by differing standards, elaborate Customs procedures, and discriminatory procurement practices which increase costs and undermine economies of scale. The litany invariably also includes high wage costs and inflexible labour practices.

But are they really insuperable impediments? Dr Carlo de Benedetti, chairman of Olivetti, Italy's large office products company, calls them secondary issues. The real problem, he says, is that too many managements lack entrepreneurial verve: "In many cases, they are looking for alibis. I'm not convinced they really want to eliminate the obstacles. . . . To many Europeans just want additional guarantees that they'll keep what they already have."

Europe's divided markets have not stopped some of its companies from flourishing on a genuinely international scale: West Germany's Bosch in automotive electronics; Daimler-Benz in the world truck market; Britain's Glaxo in pharmaceuticals.

Some have succeeded from tiny home markets: Sweden's L. M. Ericsson, which has public telephone exchanges customers in more than 70 countries; Heineken of the Netherlands, the world's largest brewer; Bobst of Switzerland, an international leader in packaging machinery, which exports 95 per cent of its production.

Some formerly troubled companies have also staged promising recoveries by exploiting international opportunities on a broad front: Sweden's Asea in robotics; the Swiss watch industry, which once seemed condemned to perish at the hands of the Japanese; and Olivetti and SGS-Ates, Italy's chip-maker, which are expanding vigorously in the U.S. and Japan as well as in Europe.

Most, if not all, of these companies share three characteristics: a global marketing vision, which look well beyond Europe, single-minded commitment to clearly-defined businesses; and a limited reliance on patronage from national governments.

Under threat of extinction, many of Europe's mature industries such as steel, heavy engineering and textiles have also been obliged to cut back sprawling and inefficient production and to formulate fresh strategies based on much more tightly-focussed business objectives and new product lines.

Yet in many sectors which should be wellsprings of future prosperity, Europe is still dissipating its energies. Industrial structures have been frozen in places by nationalistic procurement, trade protection and subsidies which distort or eliminate competition and prevent rationalisation of capacity.

Several of Europe's six volume car makers, each with 12 per cent of a market where capacity exceeds demand by 2.5m units, are buttressed by government subsidies and import curbs, some of which go back decades. Europe has three indigenous mainframe computer companies, each clinging to 1 or 2 per cent of the world market in the face of IBM's massive 70 per cent share.

In telecommunications, 10 European companies are making different digital public exchanges, each developed at a cost of \$500m-\$1bn, against three in the U.S. In most countries, the pace of commercial innovation is controlled by self-regulating monopolies which are insulated from commercial pressures and have for years paid more attention to their suppliers than to their customers.

"National champion" policies have bred companies more geared to winning government favours than to pioneering open markets. Even the internationally-diversified Philips group, a vocal advocate of liberalised EEC procurement, admits that protected public sector orders are among its most profitable businesses in Europe. In the fiercely competitive consumer electronics business, it loses money.

A consequence has been to create companies whose international competitiveness depends heavily on being shielded from the full rigours of free competition at home. When the gloves have come off, some have found it hard to stay in the ring.

Since their governments abandoned preferential computer procurement policies in 1981, Britain's ICL and France's Bull have both rapidly lost market share and suffered heavy losses which led to drastic restructuring. "If Europe opened markets such as telecommunications to real competition tomorrow, its industries would find the going rough," says Mr Jean-Claude Peye, secretary general of the OECD.

Leaders of most of Europe's protected industries now recognise that they may be living on borrowed time and are anxiously seeking ways to collaborate. Esprit, the EEC-backed joint electronics research programme is one result; moves by motor and telecommunications manufacturers to cut costs by standardising components are others.

Some huge hurdles have to be overcome if co-operation is to be pushed much further. Recent history is littered with examples of attempted transnational European mergers and joint industrial projects which have foundered on misunderstanding and mistrust. Too often, self-interest takes over when it comes to sharing out the spoils: the bitter squabbles over plans for a European fighter aircraft are the latest instance.

All of which points to two rejoinders to the question, "Can Europe catch up?" The first is that while its internal divisions and anomalies remain, different parts of Europe are likely to move at different speeds. The second is that Europe's relative position will be determined as much by the performance of other countries, notably the U.S. and Japan, as by its own rate of progress.

As the Reaganomics boom starts to fade, there are growing signs of competitive weakness in the U.S. manufacturing which even a much weaker dollar may not cure. Many older sectors such as steel are riddled with obsolete plant, and the car industry may be heading for trouble again. Even the electronics industry is in the throes of a major shake-out and is agitating for protection after running up a huge trade deficit last year.

Such developments give some recent American lectures on the evils of "Euro-sclerosis" a somewhat hollow ring. But with so much of their recent growth due to the buoyancy of the American economy, Europeans are hardly in a position to take consolation from symptoms suggesting that the U.S. may be suffering from some of the same problems which afflict them at home.

The next article—Where are the entrepreneurs?—will appear on the Management Page on Wednesday.

Siege economy in Argentina

PRESIDENT Alfonsin has placed the Argentine economy on a virtual siege footing. Changing the currency, freezing prices and wages, and slashing public spending are measures of last resort. However, they are both necessary and long overdue.

Over the past 18 months President Alfonsin has tested the patience of the international financial community and stretched the credibility of his administration by doing too little too late with the economy. The draconian austerity package announced last week will please Argentine's creditors: even those measures which are complementary to the International Monetary Fund's memorandum of agreement bear the imprint of IMF collaboration.

Yet by procrastinating over the economy, President Alfonsin has greatly complicated the task of selling the measures to a sceptical and fickle public.

The president's apologists argue that the restoration of democracy after the traumatic years of military rule inhibited any ruthless determination to deal with the economy. While this was a mitigating factor during much of the first year in office, President Alfonsin wasted too much time in a battle to resist an IMF-imposed solution. He was too timid in pitting his considerable prestige against the powerful trades unions. He clung too faithfully to his Economy Minister, Sr Grinspun, who satisfied neither the bankers nor the electorate. The latter was sacked only in March, and since then the new economic team, headed by Sr Sourruille, has quickly made its presence felt.

With inflation moving beyond 1,000 per cent on an annualised basis and international bankers unwilling to be indulgent over policy delay, President Alfonsin had few options available. He could default, formally declaring a moratorium on part or all payments; he could muddle along trying to reach agreement with the opposition and trades unions on an austerity package before agreeing with the IMF; or he could present the country with a fait accompli, an austerity package sold as the last chance to put the economy in order.

It is significant that President Alfonsin should eschew the default option. This would have been easy to sell to the Argentine's highly charged sense of nationalism; but the Alfonsin Government has demonstrated very clearly that it regards such action as irresponsible and carrying incalculable international consequences.

Political risk

Thus President Alfonsin took what was in reality the only viable option. However, the measures being introduced involve considerable political risk. The trades unions have announced their outright opposition to the IMF programme. Argentina is the Latin American debtor with the strongest trades union movement and there now appears to be an unusual degree of unity between the unions controlled by the opposition Peronist Party and the independents. Until now the government has been able to exploit deep-seated rivalries.

The most serious risk concerns the intangible factor of public confidence. The public has been given little cause to believe in the government's economic abilities.

President Alfonsin must now use all his prestige to get the message across that austerity is the sole means of stabilising the economy and preserving democracy. In this task he still deserves all the international backing he can obtain. If the president can carry the country with him, last week's measures should mark the beginning of Argentina's recovery.

Men and Matters

A catalyst in the air

Frank Lorenzo, the U.S. airline entrepreneur who looks set to take over TWA, is one of the most widely admired and deeply feared bosses in the business. Competitors worry because he is willing to take risks that shock hardened professionals. To the unions he is an even more threatening figure—the man who has done more than anybody to break the high wage pattern which dominated the industry in the 1970s.

Although he has been around the airlines business since 1972, Lorenzo, 44, a Harvard Business School graduate, shot to prominence in 1983 when he took his newly-acquired Continental Airlines group into the bankruptcy courts. Some saw this as the end of the company, but Lorenzo stretched the law to the full to abrogate the company's existing labour contracts. He then offered some workers their jobs back—at half their former salaries.

In the battle that followed "Plastic Frank," as he is widely known to the workforce, lived up to his reputation as an aloof, hard-nosed man of action. At first, it looked as if Continental would crumble under the pressures of an alienated workforce, suspicious travel agents and hostile rivals, but Lorenzo pressed ahead, slashed fares, cut out routes and proceeded to rebuild Continental as a low-cost carrier.

The rebuilding process is over, although wages are still held down. The company made a record \$50m net profit last year and distributed \$8.3m to employees in profit sharing. Employment has been built up again and the company has gone into an expansionary phase, adding new routes (such as the Houston-London run).

Along with Texas Air, Lorenzo's original springboard, and New York Air, a commuter line launched to compete with Eastern, he controls well over 100 aircraft. The addition of TWA's fleet would bring this total up to a little under 300 making the combined group the second largest U.S. airline after United.

Although TWA has given Lorenzo a virtually watertight deal by agreeing to an option on its shares, the fact that the bid was made in the first place says a lot for Lorenzo's competitive methods. Continental, his largest asset, is still in Chapter 11 bankruptcy proceedings, embroiled in arguments about how its creditors will be paid. The \$790m offer for TWA is also being financed by an issue of "junk" bonds, the high yielding securities which have caused such controversy on Wall Street recently.

But Lorenzo, son of a Spanish emigre, is unlikely to worry about criticism. He sees himself as a catalyst of change in the airline industry, who broke up the "clubby" atmosphere of regulated prices and routes. He once said: "The enemy of the unions is not Frank Lorenzo, but the new competitive environment."

Crafty Clive

Scarcely has one alleged ballot-rigging scandal been laid to rest than another trade union is confessing untoward goings-on in its polls. Blaming "mischievous persons unknown," Clive Jenkins has disclosed evidence of multiple voting in a straw poll run by the union of which he is general secretary, the white-collar ASTMS, on attitudes towards its political fund.

Fortunately the malpractice was not extensive. Only about 30 poll cards out of 26,000 returned by members had been identified as the work of one or two individuals, Jenkins told the union's annual conference at Harrogate.

But how had the fraud been spotted? By a six-strong team of researchers closely studying each card for suspiciously similar styles of X marks or use of the same ballpoint, the general secretary told sceptical delegates. To even greater surprise, he claimed he had even pinpointed—or ballpointed—the culprits to two locations—Epsom and Norwich.

It will doubtless come as a relief to the six sore-eyed researchers to hear that the same effort will not be required when ASTMS conducts its full political fund ballot. On that occasion members will have to sign their voting slips and fraud detection will be limited to a simple handwriting check.

Trade names

Forty years on, Hungary is beginning to realise that the obscure names given to previously famous companies in the sweeping post-war nationalisation can be a liability in trading with the West.

As in other Comecon countries, most private companies were stripped of their founders' names, often renamed according to their function, and frequently referred to merely by their initials.

The result was that thousands of East European company names became virtually indistinguishable.

Now, one of Hungary's biggest engineering companies, known by its initials MAD, has dropped its postwar name, and readopted its prewar, registered trade name, GanzDanubius.

Abraham Ganz was a Swiss immigrant whose small iron foundry established in Budapest in 1844, blossomed into an industrial empire.

It will be interesting to see if others follow MAD's move. Those state firms which managed to hold out to their old identity — such as Skoda in Czechoslovakia and Zeiss in East Germany — have profited from international recognition.

But in some cases, East European governments had to change prestigious company names for legal reasons. East Germany's fledgling post-war airline was named Lufthansa in the 1950s but had to be renamed Interflug.

The Czechoslovak shoe industry had to drop the Bata name from its nationalised factories after the Bata family moved to the West with the trade name.

Legal tastes

Irish lawyers are licking their lips, if not yet their fingers, over the prospect of some fine pickings from a legal battle between the Kentucky Fried Chicken Corporation (of Colonel Sanders fame) and one of Ireland's more colourful businessmen, Pat Grace, who used to operate the Kentucky restaurants in the republic.

Grace claims to have worked with Col. Sanders himself, in his Shelbyville, Kentucky, restaurant in 1969. But despite such personal contacts, KFC took out an injunction in 1983 to prevent Grace using the Colonel's name or trading under his white-bearded visage.

Now the Kentucky corporation proposes to invest \$7m opening four fried chicken outlets in the Dublin area, though it is still in dispute with Grace about the nature of his franchise and outstanding royalties.

The Irishman has been quick to reap the publicity benefits. He claims that his "Famous Fried Chicken" is the only one still using the Colonel's original recipe, secret ingredients and all.

Will barristers, more accustomed to pheasant and grouse, be able to tell the difference?

Get to the point

From the staff magazine of a Woolwich company: "On the Monday my husband was fishing off Southend pier and hooked a wallet containing £110 in notes. Everybody was amazed and the attendant to whom we talked said he could not remember ever. . . Stop waffling, woman, and tell us what bait he was using.

Observer

A major debate rages in the West over President Reagan's Strategic Defence Initiative and how to reconcile it with arms control. A parallel debate is surely in progress in Moscow....

Foreign Affairs: Star Wars

Meanwhile back in the Kremlin . . .

By Ian Davidson

Mr Mikhail Gorbachev

1
Posture Analysis
Subject:
Geneva Arms Talks
Attention:
General Secretary,
Communist Party
USSR

THE AMERICAN Strategic Defence Initiative poses great threats to Soviet interests. President Reagan will not volunteer any concessions, but he could be induced to modify his position. This paper presents the case for an important Soviet initiative in Geneva.

According to authorised scientific advisers, SDI can never lead to perfect defence against missiles; even partial defence is many years away. But the momentum of the programme will be very destabilising, because of the unpredictability of the outcome.

The first danger is that the SDI programme will lead to the destruction of all existing arms control agreements. The U.S. cannot begin testing components of an anti-missile sytem without breaking the 1972 Anti-Ballistic Missile Treaty; many years of systematic violations would be required before the U.S. could test an integrated system.

In the end, the U.S. might abandon the programme as being hopeless; or it might settle for some lesser goal than complete defence. But in the meantime, the testing process risks unleashing an uncontrolled arms race by both sides.

Having achieved parity, as codified in the 1972 Salt Treaty, it is not in Soviet interests to permit the balance to be destabilised in ways which are unforeseeable, and which might give advantage to the U.S.

Even if SDI gives no good results for American defence, it can threaten Soviet interests. The mobilisation of so great resources on research and development on technologies which are, in many cases, directly relevant to civilian applications, could further widen the so-called technology gap. Some west European governments fear it will give the U.S. a technological hegemony in the next century; how much greater is the danger for the Soviet Union.

Thirdly, there is the danger that the results of SDI research could be applied, not to defensive systems, but to new offensive weapons. This could be most relevant to the European theatre. If the Western bloc can compensate for conventional inferiority with new types of advanced weapons, the Soviet Union's opportunities for wedge-driving between west Europe and the U.S. will be reduced. It is in Soviet interests that west European countries should remain dependent on, but mistrustful of, the American nuclear guarantee. This keeps alive the anti-nuclear peace movements in these countries.

Apart from strategic instability, an uncontrolled arms race will put stress on the Soviet economy. Moreover, an unstable international situation would divert the attention of Soviet leaders from the General Secretary's new priority of economic reform. Reform of the Soviet economy calls for stability abroad. Some elements may use international instability as an argument against changes in the politico-economic system.

Since President Reagan is committed—maybe in all sincerity—to a nuclear-free world, he will not abandon the SDI programme. But he is also committed to control of offensive nuclear weapons, and he faces two political "windows of vulnerability": the mid-term elections in 1986, and the presidential elections in 1988. If the Soviet Union were to make, on offensive nuclear missiles, an offer he could not refuse, he might be forced, by political pressure in the U.S. and from Europe, to consider some concessions on the implementation of SDI research.

Such a Soviet offer must outdo the American proposals in Geneva. If the U.S. proposes cutting ballistic warheads to 5,000 the Soviet Union should propose cutting to 4,500, including reductions in Soviet heavy missiles. Even these lower totals would be more than sufficient in destructive charges to maintain stability.

As a further concession, the Soviet Union would also reluctantly agree in negotiation to permit some limited testing of SDI components.

In return, however, the Soviet Union would insist on its own conditions. First, the warhead reductions would be phased over a long period (say 15 years), with verifiable way-stations every five years; and would remain in force for a further 10 years. Second, the small relaxations on the testing of defensive components would also be phased over the same 25-year period. Third, these parallel agreements would be contained in a single treaty; any violation of SDI restraints would automatically invalidate the commitment to restraint on offensive weapons.

A long-lasting treaty would provide much more predictability and therefore stability than the previous Salt treaties; the long phase-down would also avoid disruptive restructuring of Soviet strategic forces. A single treaty would establish the unbreakable link between offensive and defensive systems.

In political terms, President Reagan could claim a double success: deep nuclear reductions and the continuation of SDI. In reality, the practical implementation of SDI would be postponed for 25 years, and perhaps for ever.

But if, by chance, the Pentagon should persuade President Reagan to refuse our offer, the Soviet Union will have lost nothing. It can then demonstrate that the U.S. administration is not interested in arms control, and can count on considerable political agitation in the U.S. and especially in Europe. This agitation would seriously damage the Nato pact.

11
Comrade
Mikhail Sergeevich

You have asked me to comment on the Posture Analysis on the Geneva Arms Talks. I am afraid that I am not persuaded by the arguments it contains.

It is true that the Strategic Defence Initiative cannot ever produce the idealistic results hoped for by President Reagan; our own scientists have done enough research on these questions to know that. It is also true that the U.S. cannot hope to get even part of the way towards a complete defence for many, many years. Therefore we should not be unduly concerned.

Even if the U.S. breaks the ABM treaty by illegal testing of components, that will be cause for loud protests, but not for alarm. The real difficulty with any defensive ystem is not components, but system integration: making all components work together, perfectly, first time.

In time, SDI will collapse under the weight of its dialectical contradictions: it cannot work, it cannot be afforded (even by the U.S.), and it would be cheaply frustrated by Soviet counter-measures. In the meantime, Soviet strategic forces provide ample security, and can be further modernised on an incremental basis.

The so-called technology gap is indeed a serious problem, but the conclusions I draw are quite different from those of the Posture Analysis. U.S. anxieties are mainly focused on the technology gap with Japan: our sources in Washington report that the new Japanese ambassador has been incautious enough to remark that the U.S. is a backward country. Yet Japan spends very little on defence, and it is far from clear that SDI will close that gap.

On the contrary, professors in the most advanced American academic institutes are complaining that U.S. military build-up is already drawing promising young scientists away from the universities.

If the technology gap is a problem for us, it needs to be tackled through the economic reforms you have outlined, not by getting into a panic over SDI.

There is some danger that the results of SDI research could be redirected towards the strengthening of Nato's conventional forces, but not much. Many of the technologies may be directly applicable, such as sensors, target acquisition, computing, telecommunications; but the more the U.S. concentrates its economic and technological resources on SDI, the less it will have for reinforcing Nato. Budget cutting is already constraining U.S. defence spending. There is no pressing danger of an arms race; but if there were to be such a race, we have already shown that our system is more cost-effective and more politically stable than theirs.

The negotiating strategy proposed in the Posture Analysis looks plausible; but it has a number of flaws, each of which is fatal.

First, President Reagan's life-long hostility towards the Soviet Union is a known fact; we cannot assume that he seriously wants to do business with us, and we should not be in an undignified hurry to do business with him. Some analysts in the U.S. believe his administration would reject any Soviet offer, on principle, if it involved any restraint on SDI. Pentagon propagandists and lawyers would find objections to anything, and we should not underestimate President Reagan's ability to persuade American voters, at least, of his good faith.

Second, there is no need to fear that an international crisis will complicate our domestic economic reform. We should manage a reasonable propaganda campaign of protest against SDI, but if we do not want an international crisis, we do not need to stage one.

By contrast, we need to be more careful about the balance of domestic concerns. The economic reforms which you are initiating will be disturbing for many people; you cannot shake the tree without some birds falling out of the nest. It would be most unwise to combine these reforms with an arms control proposal which would threaten the interests of the most efficient sector of our society, the armed forces.

Third, our sources report that some British officials are already convinced that arms control may be dead in the water. They may be right; and they know where the responsibility lies. If this feeling spreads in Europe, we could have the bonus of an anti-nuclear government in Britain or Germany in the next few years.

Fourth, let us on no account ease restraints on U.S. testing of SDI components.

Finally, the Soviet Union has never yet taken an arms control initiative which was designed to lead to an agreement. In this case, too, let the U.S. come forward with a proposal; if it suits us, we will consider it. In the meantime, let the West sweat it out.

Fraternally,

Lombard

A retreat from rent reform

By Anatole Kaletsky

FIRST, I must declare an interest. Over the past 10 years I have been a tenant, a landlord, an owner-occupier and a property speculator of sorts. I have benefited from the Rent Acts on both the tenant's and the landlord's side of the bargain.

I have lived for rent-controlled peanuts in one of the choicest blocks in London at the expense of the policy-holders of a well-known mutual insurance company. During a two-year absence abroad, I let my house on excellent terms to an American; though only after a sordid flirtation with racism, since it was necessary to reject automatically all potential tenants with British passports, native English accents or other tell-tale signs of permanent links with Britain. A few years earlier, I even winkled out some sitting tenants from a house I had bought at a knock-down price from a confused and senile old lady; the stratagem was simply to offer the tenants more money than they had ever seen in their lives.

In other words, like the notorious Mr Peter Rachman, I have done well out of Britain's Rent Acts.

Mr Rachman, it will be recalled, made his name by terrorising tenants who continued to enjoy rent control after the 1957 Rent Act briefly deregulated new tenancies. But to claim on these grounds that deregulation leads to Rachmanism is like arguing that trade unionism leads to communism and violent revolution. An argument which may have some validity, but only in places like South Africa or Guatemala, where the rate of liberalisation is so slow that it merely arouses passions without beginning to satisfy them.

In fact, Rachmanism is a complete red herring in the debate over rent control. Harassment of tenants can be, and is, controlled by civil and criminal laws; it will wax and wane in line with the enforcement of these laws, not with the degree of rent regulation. After all, even with today's full panoply of rent regulations, there is as much financial incentive as there was in Peter Rachman's time to evict tenants in order to sell properties with vacant possession.

What about other objections to reform of the Rent Acts? Economic sophisticates seem to find one line of reasoning irresistible. There is no solid evidence that the supply of rented housing would increase even if controls were totally abolished, and anyway, the tax subsidy for owner occupiers is the biggest distortion in the housing market.

There is nothing wrong with these premises, but the process of deduction is spurious. Nobody can claim to know for sure whether rent decontrol would arrest the decline of privately rented housing; and it is perfectly true that rent controls are not the only distortion in the housing market. But neither of these observations has any relevance to the case for rent reform.

The point of decontrolling rents is not to recreate the conditions of 1914, when 88 per cent of Britain's dwellings were privately rented or to create a "level playing field" between all forms of home ownership. Society may wish to accelerate the process of redistribution of wealth and political stabilisation which goes with home ownership. If this is the case, then the vast majority of people will always prefer to buy their *permanent* homes rather than renting them.

Nevertheless, at any one time, there will be millions of people who wish to move around, who do not have the money to buy a home or who may prefer to realise the capital in their house and deploy it in ways other than home ownership—for example to set up a small business or see them through a period of unemployment. All these people will thereby lose the fiscal advantages of owner-occupation. They will also have to pay higher rents as a result of the tax breaks for home owners, since potential owner occupiers will bid up property prices.

But is this an argument for denying those who do not wish to own a property the possibility of a home at all; forcing landlords, instead of social security offices, to subsidise the poor; or continuing with what is probably the biggest exercise in market-rigging and expropriation of private property ever witnessed outside the Communist world?

Letters to the Editor

Monetary policy

From Mr G. Gardiner.

Sir,—I am not sure whether it is pathetic or hillarious that the debate on monetary policy has moved on to the discussion of the virtue of "over-funding" by the Government without having convincingly established that the encouragement of "funding" has any influence on the economy by way of controlling the money supply. As the development of monetary theory is at a similar level to that reached by medical theory in the 18th century one should not expect otherwise: one must remember that in the 18th century it was safer to stay away from doctors.

It may help wreck the argument for "over-funding" if one points out the fallacy in the argument for encouraging funding.

"If companies eliminate their bank borrowing by an issue of shares the assets and liabilities of the banks are in aggregate reduced, and the money supply is recorded as reduced. But the resources of the economy are not reduced at all. All that has happened is that the extent of the intermediation by banks in capital markets has been reduced, and instead of the destination of capital resources being decided by experienced bankers, the decision is taken by investors, some of them very ignorant. There is no logical reason why funding should in any way directly affect the growth of the economy or of inflation.

But there is a by-product of funding which is very important. If the banks find their assets and liabilities reduced by acts of funding by their customers, they also find that their free capital ratios are improved because the banks' own capital resources remain unaltered. It is therefore possible for the banks to create money to exactly the same extent as the amount of the funding that has taken place, thereby raising the assets and liabilities of the banks to the previous level. Moreover the funding has raised the capital base of the fund-raisers thus making it possible for them to borrow more.

Funding, therefore, precipitates a real increase in the capital resources of the economy, exactly as anyone but a monetarist has always expected. In a situation of high unemployment the result of funding could be economic growth: in a situation of over-employment or of unbridled wage demands it could merely cause inflation.

A policy of encouraging funding has exactly the opposite effect from that imagined by those who suppose themselves to be exponents of monetary theory. I am inclined to think that Government over-funding has no particular effect at all: just like the infamous "special deposits" the money goes straight back into the banking system.

G. W. Gardiner,
3, Molly Potts Close,
Knutsford, Cheshire.

Success in high tech

From Professor S. Smith.

Sir,—The article on June 1 and ensuing reports on the subjects of "Star Wars," "Optical computing," and "Technology drain" have disturbed many people in the Western Alliance.

To begin with my "optical computer team" has not "decided to join Star Wars" because of lack of funding in Europe. We are well funded at this stage of the project from the EC and the Scientific and Engineering Research Council in the UK. We have been invited to submit a proposal to the Strategic Defense Initiative Innovative Technology Office (SDIO) for a basic research programme concerned with optical computing—and that is all. No offers, conditions or decisions have been made or accepted.

If an offer is eventually made, it would be as additional funding (a relatively small percentage) to strengthen the European programmes. This would not amount to "technology drain." If this example of U.S. Defense Agency funding for basic work follows previous patterns, little, if any, restrictions would be made on the free publications of the results of basic research.

On the Technology Page (June 6), a mainly technical article appears. A selection of results, apparently mostly derived from the Arizona Group, is reported. Care must be taken in interpreting the significance of these "facts." In contemplating an optical computer, it is not possible to combine the best of everything, and there are important trade-offs between speed and power.

As to the main groups there are three. The first to be established was the European Joint Optical Bistability Project (EJOB) (of which we are a major part) in January 1984. Funded to Ecu 1.8m by the EC—the objective is to demonstrate a primitive optical computer by the end of 1986. Our main achievements to date is to achieve the world's first "all-optical circuits"—our devices having sufficient light output to switch a succeeding circuit element. The Optical Circuit Co-operative (OCC), based on Arizona, has only recently started and has not yet produced an optical circuit. The SDI Signal Processing Consortium (OSPC) is due to start work at the end of this month.

I fail to see why the situation described above merits sensationalising.

It might be worth commenting in a general way that the liberal attitude of U.S. Defense Agency funding may be related to the success that country has in launching new high technology industry. There are probably lessons for the U.K. and Europe; involvement in one such programme is likely to be to the benefit of all parties.

(Prof.) S. Desmond Smith, FRS.
Department of Physics,
Heriot-Watt University,
Riccarton, Edinburgh.

The discipline of funding

From the Chairman,
Martin Paterson Associates

Sir,—Mr David Basnett's statement (June 13) that in the last resort the distinction between funded and pay-as-you-go pension schemes is delusory may be true in the broadest terms, looking across several generations. But it would not, I think, convince his own members in occupational funded schemes.

The discipline of funding ensures that we make explicit provision for replacing our own income in retirement by saving some of it now, rather than the income of a previous generation of workers. Precisely the same discipline is used in making provision for the replacement of plant and equipment in business. We do not expect the next generation of shareholders to be charged with that cost. In pension planning, let us be guided by the same practical good sense.

Martin Paterson,
10 Buckingham Place, SW1.

Holiday money...

From Mr P. Bowden

Sir,—I read your article on "Money for vacationers" (June 1) with interest. I feel however, it is necessary to refute two statements in the article.

The first concerns the comment, allegedly made by "Visa executives" that "Mastercard or Access is more useful in Italy." This statement was not made by any member of the Visa International staff, a fact confirmed by the author of the article. The statement is clearly not true.

As stated in your article, there are 77,000 outlets accepting Visa cards in Italy, in comparison with the 40,000 quoted by Mastercard. Furthermore cash advances can be obtained using a Visa card at 5,500 bank branches in Italy.

Similarly, in the case of acceptance in Spain, no member of the Visa staff made the comment that "rival (cards) may be more widely useful." This is supported by the fact that there are 225,000 outlets accepting Visa cards, in comparison with 160,000 accepting Mastercard. Cash can be obtained from 23,500 bank branches in Spain, as well as a network of 1,000 ATMs situated throughout Spain, which are now open to international cardholders.

Patrick Bowden,
Visa International
PO Box 253,
London W8

Part-time employment

From Mr E. Whiting

Sir,—The arguments of Prof P. E. Hart (June 12) against part-time employment must not go unchallenged.

It is clearly better for the economy and the Government social security bill to have two people working part-time than one full-time and one unemployed, provided that it is not more costly to the employer. If the employer has to train two people instead of one, the cost of part-time is likely to be higher, unless the job is very unskilled and low-paid. If the part-timers already have experience in some related work, the cost to the employer will be lower, and hence the attraction of married women returning to work.

It is not true that other countries have lower proportions of part-time employment. U.S. and Sweden have high proportions of part-timers, and they have much lower unemployment.

In the UK, however, the numbers in part-time may well be understated because workers below the NIC threshold of £35.50 a week are not recorded (we are the only country with a lower earnings limit of this kind). Our Government statistics are most inadequate; more information should be obtained by sample surveys of people working, not working and half- or quarter-working, on the lines used in the U.S. Part-time work, generally and obviously, reduces real (although not always registered) unemployment, but there are a certain unknown number of cases where it is simply overtime but in another job.

Edwin A. Whiting,
Shudehill House,
Hoyfield, via Stockport.

FINANCIAL TIMES
Monday June 17 1985

Terry Byland on Wall Street

Facing up to the minefield

THE DILEMMA that has been tormenting Wall Street for the past three months suddenly achieved monstrous proportions last week. Over the space of two days, investors had to eyeball the two factors most likely to change the investment outlook. Will another cut in the Federal Reserve discount rate mean manna for all, or will the sluggish economy mean a downturn in corporate profits?

The significance of IBM's warning on the business outlook, delivered to securities analysts at mid-week, is that it shifted earnings doubts out from the second quarter to the third quarter of the year. And whatever the particular problems of the computer sector (Wall Street was not exactly enthralled by the planned merger of Burroughs and Sperry) IBM cannot help being a bellwether for the whole equity market.

In fact, IBM stock staged quite an impressive recovery at the end of the week – although it is still showing a fall of 5.5 per cent over the full five days. Friday's gain in IBM alone was an important factor behind the somewhat bogus rally that lifted the Dow Jones industrial average just over 1,300 again.

The significance of Big Blue's warning remained imprinted across the wider market. Neither the Standard & Poor's 500 nor the NYSE composite index made much recovery from the heavy falls earlier in the week.

In the wake of the shakeout, which has cooled some of the more exuberant Wall Street spirits, the brokerage analysts are hard at work again re-working their profit forecasts for the second quarter and beyond.

Before IBM's bombshell, forecasts for fiscal 1985 corporate earnings ranged as high as a 15 per cent gain on last year – itself a generous adjustment since the turn of the year, when flat profits were widely predicted.

Mr Donald Trott, analyst with Mabon Nugent, makes two points. First, these forecasts leaned heavily on a "strong consensus belief," that the economy would move into reaccelerated growth in the second half of the year. Second any strongly held consensus belief, whether eventually proved right or wrong, has always made for a rising stock market.

That consensus belief is now about to be tested, and that alone might bring the market down. Mr Trott has long argued that second-quarter corporate results will prove "a minefield of such magnitude as to light up the sky." He believes that such significant sectors as motors, chemicals, paper and steels – as well as technology, which looks a disaster area – might serve up significant disappointments.

For good measure, Mr Trott thinks successive cuts in the Federal Reserve discount rate may be reaching the point of vanishing or negative returns. Rate cuts apparently motivated by recessionary fears might cause more alarm on Wall Street than satisfaction.

At E. F. Hutton, Mr Philip Roth takes up the same point, commenting that the massive plunge in bond yields, in April and May was by no means fully reflected in the rise in stocks. In a disinflationary environment, bonds have significant appeal, while many companies have the problem of maintaining earnings. Thus, he sees financial and other interest-related stocks as likely to continue rising while basic industrial, energy and natural resource issues will remain unsupported.

The run-up in the stock market which came so suddenly last week relected a bull performance by only a minority of stocks, says Mr Roth. The majority of issues continued to move between their 1984 lows and their 1983 highs that was one reason why the Dow 1,300 mark proved so vulnerable to bad news at midweek.

E. F. Hutton does not expect an overall recession this year, according to Mr Robert Barbera, its chief economist. Mindful of the split performance by the U.S. economy and stock markets. Hutton has constructed a set of economic indicators reflecting solely activity in the manufacturing sector.

Those indicators suggest that manufacturing industry may indeed be recession-bound this year, although a fall in short-term rates and the dollar might pull the sector up again in 1986.

Wall Street has clearly got its thinking cap on again, and that alone implies that stock prices will be cautious about trying their luck above the Dow 1,300 level again.

The significant question may be whether the market succeeds in discounting poor second-quarter profits before they arrive. A weakening in stocks over the next month might save a lot of trouble later on

IEA warns West on oil price complacency

BY DOMINIC LAWSON IN LONDON

THE WEST could face "massive" oil price increases if it becomes complacent in the face of the current weakness in the oil market, the International Energy Agency (IEA) warns today in its annual review of the energy policies of its 21 member countries.

The agency argues that its members' oil production has reached its peak and will soon decline, while the IEA's dependence on oil imports is set to increase by 10.5 per cent, to 855m tonnes a year by the end of the decade.

"Unless the IEA countries achieve further major improvements in the efficiency with which energy is used and a major expansion in the produce of energy resources, they could once again become vulnerable to oil supply disruption in the 1990s similar to that of 1973–1974 and 1979–1980," the report says.

The IEA adds that there could again be "upward pressure on oil prices and a risk of massive price increases in the event of even a slight disruption in supplies."

Frau Helga Steeg, the executive director of the IEA, introducing the report, says that the current weak oil prices contained the risk that oil conservation would be discouraged and that investment in alternative energy sources, particularly nuclear power and coal, would be reduced. "That would make investment in the increasingly expensive search for new oil and gas reserves less attractive and could lead to financial problems for both producing countries and companies in both OECD and non-OECD countries," argued Frau Steeg. She added that, "short-term market signals may be misleading in that they mask long-term trends. The fact that things are getting better could make matters worse in future."

The U.S. is trenchantly criticised in the IEA report for its conspicuous consumption of fossil fuels and the lack of incentives given to alternative energy sources such as electricity.

The IEA secretariat also believes that the U.S. report understates the country's growing demand for oil. "The sheer size of U.S. vehicle fuel demand coupled with a slowing down in improved fuel efficiency makes this an area of considerable concern" The report notes that the level of petrol and diesel prices is the U.S. is still well below that in other IEA countries and that the Reagan Administration has recently said it will not increase fuel taxation.

But the report argues that the U.S. should consider an increase in such taxes, pointing out that, a tax level of 20 cents a gallon would only barely restore gasoline prices to the levels of 1981 in real terms, and would have the virtue of collecting $20bn annually.

Mr David Jones, the IEA's director of long-term policy, also criticised the U.S., arguing that also "the full potential of electricity is not being realised and the construction of throughly economic electricity capacity is not going ahead in a number of countries."

He pointed out that the low electricity tariffs in the U.S. meant that utilities could not raise the finance needed for new investment.

The UK does not escape unscathed in the report, most notably when the British Government is criticised for failing to articulate its energy policy. The UK "stands alone among IEA countries" in refusing to issue forecasts of the balance between competing energy sources, the report says. "Other countries consider forecasts a valuable guide for planning in both the public and private sectors. Such forecasts are also one essential basis for international co-operation."

Frau Steeg noted that, while other IEA countries regularly published closely reasoned accounts of their energy policies, no such document has been published in the UK since 1977.

UK electricity output likely to cost more than European rivals

BY IAN HARGREAVES IN LONDON

BRITAIN'S power stations will cost significantly more to build than equivalent units in five other European countries and the country's cost of generating electricity is, as a result, expected to be much higher than that of its competitors.

These conclusions emerge from a document submitted last week to the International Union of Producers and Distributors of Electrical energy (Unipede) at its congress in Athens.

Officials of the Central Electricity Generating Board, the state-owned utility responsible for all Britain's electrical power, were among the committee which prepared the report.

The study was carried out to test the rival economics of coal and nuclear power stations and, in the UK's case, takes both the expected cost of building the Sizewell B nuclear station on the east coast and the lower figure the CEGB believes will be possible for repeat orders.

The UK emerges with the highest nuclear plant building costs of the six countries studied, which also included West Germany, Italy, the Netherlands, Belgium and France.

Sizewell B is shown as costing Ecu 2,488 ($1,798) per kilowatt and the follow-on order of a second pressurised water reactor (PWR) is put at Ecu 1,777. This makes even the follow-on plant more than 70 per cent more expensive than the French plant, which has a cost of Ecu 1,008 per kilowatt.

Nor is the UK problem confined to the nuclear sector. The estimated capital cost for Britain's next generation of coal-fired power stations at Ecu 1,366 per kilowatt, is again almost double the figure for building a similar plant in France or Italy.

The report lists a number of possible explanations for the divergence in construction costs. These include technical points, such as slightly different scale of proposed plants, and exchange rates for the Ecu "which probably introduce some distortion into the comparison."

But the report says factors within the control of the power utilities and their construction companies also play a part. Labour costs, welfare charges, lack of standardisation and frequency of design modifications are blamed for some of the variations.

The report rules out the idea that countries with high costs can blame their national safety standards. "It would not appear that major cost differences should be sought on the safety side, as safety requirements have already reached high levels in all the countries," the report says.

Argentines asked to fight 'crisis'

Continued from Page 1

stamped with the new denomination.

A separate conversion table was published at the weekend for rent contracts or loans signed before Friday's announcement. The table is based on a previous monthly inflation forecast of 30 per cent, thus effectively indexing these transactions.

The Government's anticipation of a drastic fall in the monthly inflation rate to single figures during the next two months was confirmed this weekend in the lowering of nominal interest rates charged on deposits and loans in the regulated financial market to 4 per cent and 6 per cent, respectively per month. Until last week, banks had been charging nominal interest of about 30 per cent monthly.

At the same time it was decided to freeze prices retroactively to last Thursday so as to neutralise the widespread mark ups in shops and supermarkets which preceded the Presidential announcement. Throughout the weekend the media issued lists of maximum prices permitted for the "shopping basket" of essential family goods, and urged consumers to denounce to the authorities any traders breaking the guidelines.

EEC draft budget seeks spending rise

Continued from Page 1

Mr Henning Christophersen, the Budget Commissioner and former Danish Finance Minister, said the budget had been drawn up "to be very disciplined in our management of resources."

It is based for the first time on the new ceiling on member states' VAT contributions of 1.4 per cent, compared with the present 1 per cent – although the 10 national parliaments, including Westminster, have yet to ratify the new rate.

Mr Christophersen said the actual payment rate for eight member states would be 1.35 per cent. Britain, thanks to the Ecu 1.4bn reduction in its payments, would only be contributing 0.82 per cent, and West Germany, with a partial rebate, 1.18 per cent.

Spain and Portugal will also get back the bulk of their first year's contributions, amounting to 87 per cent or almost Ecu 1.8bn, because they will only be benefitting from a fraction of EEC policies.

Mr Christophersen said the Commission had assumed a neutral increase in farm prices in 1986 as in 1985, and an exchange rate of $1=Ecu 1.2, compared with the present average of around Ecu 1.35. Farm spending was being kept well within the financial guideline approved by finance ministers, that it should not increase faster than the growth in member states' budget contributions.

He insisted that the ECU 420m reserve for depreciation of farm stocks was not a move intended to counter U.S. subsidies of grain exports. "It might make it possible for us to get rid of some of our old stocks," he said. "But it has nothing to do with specific efforts on the export markets. It is simply that we must now realise our losses."

A revolt by up to 40 Tory MPs in the House of Commons is being forecast against a Government Bill which will increase Britain's payments to the EEC, writes John Hunt in London.

The European Communities (Finance) Bill raises from 1 per cent to 1.4 per cent the ceiling on VAT which the UK contributes to common market own resources.

It also authorises a contribution of £252m ($315m) by Britain to help meet the Community's overspending this year.

Some of the officers of the 60-strong European Reform Group of Tory backbenchers who are critical of the market and its institutions held talks over the weekend.

They were annoyed that the Bill was slipped out by the Government without prior warning on Friday when most MPs were away from the House of Commons.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	24	75	Dubrovnik	S	26	79	Malaga	S	22	72	Salzburg	S	17	63
Algarve	S	27	81	Faro	S	24	75	Malta	S	31	88	Seoul	S	27	81
Algiers	S	26	79	Florence	F	27	81	Manila	–	–	–	Singapore	–	–	–
Amsterdam	C	10	50	Frankfurt	F	16	61	Miami	–	–	–	Stockholm	C	17	63
Athens	S	31	88	Funchal	S	20	68	Milan	F	19	66	Strasbourg	S	18	64
Bahrain	S	37	99	Geneva	C	16	61	Moscow	F	20	68	Sydney	S	19	66
Bangkok	–	–	–	Gibraltar	F	21	70	Munich	S	15	59	Taipei	–	–	–
Barcelona	S	23	73	Guernsey	S	14	57	Nairobi	F	23	73	Tangier	F	25	77
Beirut	–	–	–	Helsinki	F	16	61	Naples	S	26	79	Tehran	–	–	–
Belgrade	S	19	66	H. Kong	C	27	81	New Delhi	S	38	100	Tel Aviv	S	27	81
Berlin	C	13	55	Innsbruck	S	18	64	New York	–	–	–	Tenerife	–	–	–
Biarritz	[illegible]	15	59	Inverness	F	14	57	Nice	C	21	70	Tokyo	S	21	70
Blackpool	S	13	55	Istanbul	S	26	79	Oporto	S	23	73	Toronto	–	–	–
Bordeaux	C	17	63	Jersey	S	16	61	Oslo	F	19	66	Tunis	S	31	88
Brussels	S	16	61	Jo'burg	–	–	–	Paris	F	17	63	Valencia	S	27	81
Budapest	S	17	63	Las Palmas	F	23	73	Prague	F	15	59	Venice	C	21	70
B. Aires	–	–	–	Lima	–	–	–	Reykjavik	F	13	55	Vienna	S	17	63
Cairo	S	32	90	Lisbon	F	24	75	Rio de J'o	–	–	–	Warsaw	R	11	52
Cape Town	F	17	63	Locarno	C	15	59	Rome	S	25	77	Zurich	C	16	61
Caracas	–	–	–	London	C	17	63								
Casablanca	C	25	77	Los Angeles	–	–	–								
Copenhagen	C	19	66	Luxembourg	C	13	55								
Corfu	S	28	82	Madrid	F	27	81								
Dublin	F	14	57	Majorca	S	25	77								

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

HK takes tough line on banks

Continued from Page 1

Some banks have assigned no capital to those commitments until they actually materialise. But supervisors believe they should be backed by capital straight away, although they disagree as to how much.

Although NIFs are now being put together in Hong Kong, the new proposals are more likely to affect the huge letter of credit business that has evolved round the colony's active international trade.

Bankers say they are disappointed by the tough line being taken by the authorities but expect to be able to win some concessions

IBM study on VDUs calls for extra shielding

By David Goodhart, Labour Staff, in London

A REPORT on visual display unit health hazards, commissioned by IBM, recommends an extra layer of shielding on VDUs to prevent exposure to radiation from high levels of electrical current. The report is one of the most comprehensive to date.

The report points out that extra metal shielding is generally present in newer models in the U.S. to satisfy the Federal Communications Commission but there is no such requirement in Britain.

The report discounts the likelihood of any risk from VDUs; however it is more sceptical than, for example, the clean bill of health recently presented by the Swedish National Board of Occupational Safety and Health.

Aside from the "immediate" VDU-related problems of headaches, sore eyes and stress – which researchers attribute predominantly to poor work design – there are long-standing anxieties about cancer and birth defects from ionising and non-ionising radiation.

The report states: "Ionising and visual radiation from the VDUs have been convincingly discounted as factors in the health problems. But the non-ionising electromagnetic fields remain a physical factor that has not been sufficiently eliminated as a causal factor to quell the concern of labour groups."

Ironically, the low magnetic field emissions would not be blocked by the low-cost shields recommended. But the report does say that further research should be undertaken to try to show that magnetic shielding is clearly not warranted.

Drawing on the latest research with chicken embryos the present conclusion is: "Though it is highly unlikely that there is any relationship between birth defect clusters and VDT emissions, the clinical work on magnetic bone growth stimulators and the magnetic field work of Ubeda et al (1983) replicated by Mild (1984), does indicate that there could be a relationship."

IBM, the largest manufacturer of VDUs in the world, is not publishing the report. But its author, Professor Arthur Guy of the Bioelectromagnetics Research Laboratory, University of Washington, Seattle, who spent almost a year preparing it – has been given permission to use the work.

Car makers join EEC row over emissions

Continued from Page 1

agreement adopted by ministers, the standards were intended to be equivalent to those in the U.S., after adjustment for differing test methods.

A similarly hostile response is being formulated by both French and Italian governments.

In a telex sent to M Delors on June 10, all Europe's major manufacturers have called for a significant relaxation of the standards proposed by the Commission at the beginning of June.

The telex was sent by the CCMC, the Brussels-based manufacturers' organisation. It represents, among others, Alfa Romeo, BL, BMW, Fiat, Mercedes, Peugeot, Renault, Volkswagen and Volvo and was signed by Dr Carl Hahn, president both of Volkswagen and the CCMC.

The CCMC submission called for a maximum 5.5 grammes per test of nitrogen oxides, the most damaging pollutant, to be allowed on medium-sized cars (between 1.4 and 2 litres) and 5 grammes on cars above 2 litres.

If anything, the industry's proposed standards are slightly more relaxed than the various, but closely-aligned, proposals put forward by the UK, French and Italian governments.

The Commission had proposed 3.5 grammes for over-2 litre cars and 4 grammes for those of 1.4–2 litres. The UK has already protested to M Delors over the Commission's proposals. It has declared them an "unhelpful intervention," and sees them as arising from intensive behind-the-scenes lobbying at the technical level by West Germany.

Bonn, under severe pressure from its own powerful environmentalist lobby, really wants yet stricter standards – a maximum of 2.5 grammes for both car types.

The ministers are under no obligation to adopt the Commission's proposals. However, the consequences of the likely impasse on June 25 could be severe. West Germany may proceed unilaterally to offer financial incentives to buyers of catalyst-equipped cars from July 1. These, the UK fears, could be of a sufficient size to provoke retaliation by other EEC states and start the Community's internal car market on the path to disintegration.

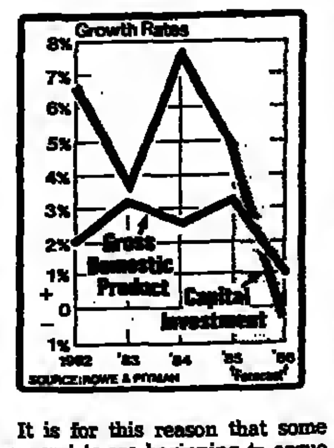
THE LEX COLUMN

Speculations on the margin

Whatever the Treasury had in mind when redesigning the system of company tax, early in 1984, nobody seems to have realised quite what a violent surge of capital investment the Budget was about to uncork. To be sure, it was taken for granted that any finance director who could use a calculator would react to a phased withdrawal of capital allowances by dragging capital expenditure into the earliest possible year; official estimates of 1984 capital spending had that right. But a second round of spending in 1985 was expected in Whitehall to be of a very modest order indeed – maybe adding a quarter of 1 per cent to the underlying flow of capital spending.

Things seem to be turning out differently. A leasing boom and a parallel growth in the volume of bank loans – much increased despite the strong cash-generation evident in company accounts – definitely formed no part of the official forecasts. If they had, it would have been apparent that reducing the target ranges for monetary expansion this year was inconsistent as well as vainglorious. Instead, the authorities have been in the awkward position of needing to express displeasure at monetary growth which stems partly from their own fiscal policies; the recent "de-emphasis" of £M3 is a necessary face-saver.

This story should not have come as a surprise to anyone connected with the 1984 budget. The corporation tax reforms, which were intended to alter the relative marginal costs of capital and labour, were equally bound to raise the relative cost of capital – at the margin – in successive years until we arrived at the new steady state of 35 per cent tax and 25 per cent allowances. The moral, a tribute to the idea behind the fiscal reform, is that changes at the margin really can generate powerful aggregate effects.



Understatement

The point which seems to have been underplayed is that the fall in allowances from 50 to 25 per cent, coupled at the end of this year with the fall from 40 to 35 per cent tax, now presents as sharp an incentive to invest quickly as the corresponding decline posed in 1984. And in proportional terms, the choice between this year and 1986 looks steeper; to wipe out the same amount of otherwise taxable profit may demand twice the investment.

It is for this reason that some economists are beginning to argue that the recent official survey of investment intentions – which itself indicated a 10 per cent jump in the manufacturing spend this year – may understate the volume of capital expenditure that is in store for the last months of the 40 per cent/50 per cent tax regime. The computations of analysts at Rowe & Pitman suggest that manufacturing investment could rise by as much as 15½ per cent this year, on top of the 14 per cent seen in 1984, while the service and construction sectors could overshoot the 7½ per cent figure given in the intentions survey by a similar margin.

On the second lap of the course, this spending is likely to be somewhat more evenly distributed through the year than it was in 1984-85. Having had an extra 12 months to plan their spending there is not the same pressure on companies to cram their investment into the last weeks before the guillotine. Moreover, there is much more scope for the big-ticket items – complex equipment and major plant construction – which have lead-times longer than the year between budgets.

Even so, there are reasons to expect an echo of the eleventh hour spree which produced over £2bn of leasing business in the final quarter of the 1984-85 financial year. The passing of time is a useful influence on its own; as the year-end approaches, the slate of potential capital projects gets refilled with ideas that were simply too far over the horizon to be planned for at the start. If these new projects are worth doing, they are worth doing cheaply – before April 1986.

What will make them cheaper (even for companies with accessible tax losses to project their profits over the next couple of years) is the final flowering of tax-inspired leasing. There can be no doubt that the banks will want to preserve as much of their depleted store of deferred tax as they possibly can. Last year they were willing to write a lot of business at low (possibly negative) rates in order to compensate for the drop from 75 to 50 per cent shelter; this year's fall from 50 to 25 merely magnifies the amount they would ideally like to do. Leasing rates could become remarkably attractive before the year is out. The very fact that allowances are being phased out gradually – and on a straight line basis at that – has geared up their ability to spur investment.

Substitution

The consequences for 1986 and beyond will be partly determined by the the effectiveness of the investment that has been going on so far. Worrying overall employment figures, together with persistent announcements of plant closures and voluntary redundancy schemes – so late in the recovery stage of the cycle – confirm that much of the new capital has been substituted for labour. The positive side of this is that if the labour-saving investment has led to a permanent uplift in efficiency and the return on capital, the basic demand for capital goods may also have shifted on to a higher long-term level, even after the transitional tax effects have worn off.

If so, that is even less encouraging for employment than a temporary investment bulge. Fears that investment will drop precipitously in 1986 are surely overdone; if there is a moderate falling away, that still implies a higher rate of investment than in 1984. But if it is just a bulge, the pick-up in employment which was traditionally supposed to follow an incease in investment – perhaps a secretly intended Keynesian side effect of the tax reforms – still seems likely to be small and slow.

It may be little consolation, a year from now, that the new presentation of the money supply figures could easily show 12-month increases falling below the floor of the target range. That is only what should be expected as the lending which supported the 1984-85 investment rush starts to drop out of the comparison; but the risk is that it may then be interpreted as a monetary warning of the next recession.

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday June 17 1985

Flow of deals keeps market alive ahead of summer lull

BY OUR EUROMARKETS CORRESPONDENT

A STEADY flow of corporate Euronote issues just kept the Euronote and credit market ticking over last week amid signs of an imminent summer lull.

The deals included a $300m facility for Colorado Interstate, the U.S. oil and gas pipeline company and $200m for Australia's Bell Resources, both of which feature relatively high facility fees. Fleet Financial, the U.S. bank holding company, is raising $150m, and Kredietbank of Belgium has launched o $200m facility that follows on from its recent standby credit.

The Colorado deal is guaranteed by its parent, Coastal Corporation, and led by Orion Royal Bank. It bears o facility fee of 25 basis points for the first three years, rising to 35 points for the following two.

The effective maximum yield on notes sold under the facility is 12.5 basis points over Libor (London interbank offered rate), but participating banks will also receive a utilisation fee of up to 18¾ points depending on how much is drawn.

Bell Resources' deal is led by Westpac Banking and also carries a maturity of five years, although the facility fee is 20 basis points. A tender panel will bid for notes up to a maximum yield of 15 basis points, but an additional fee of 12½ points will fall due if underwriters are required to take up more than two thirds of the issue at the maximum interest rate.

Chase Manhattan and Manufacturers Hanover are leading the Fleet Financial deal, of which $100m is committed. It bears a facility fee of 12.5 basis points over five years and provides for the sale of notes with a maximum margin of 12.5 points. There is a utilisation fee of 5 basis points if more than half the notes sold in any tranche are returned to underwriters.

Meanwhile Kredietbank has assembled a group of banks led by Lloyds Merchant Banking Group to bid for up to $200m in dollar or Ecu-denominated certificates of deposits or sterling advances. The deal is uncommitted but it follows the recent signing of a separate $100m, seven-year standby revolving credit with a commitment fee of 1/16 per cent and utilisation fees of up to ¼ per cent depending how much is drawn.

Expected this week is a $400m deal for the French car manufacturer Peugeot-Citroën, which will refinance an earlier Eurocredit in the same amount, while among deals in the market increases have been announced on the $800m loan for Korea Development Bank and the $100m credit for Hungary. The first is raised to $850m and the second to $125m.

Sweden has met o positive initial response to its $1.5bn refinancing launched a week ago, but bankers report some hestitancy on the $600m securitised standby loan facility led by Credit Suisse First Boston for Banque Nationale de Paris.

The deal, the first to incorporate a floating-rate note with a standby facility, quickly found willing co-managers when it was launched last Monday, but some reports in the market suggest the initial tranche of $100m in floating-rate notes is proving slow to place. That registered tranche carries a commitment to subscribe to subsequent calls on the facility.

A potential flaw in the structure of the deal is the liquidity of the initial tranche and no uniform prices were available in the market last week, although lead manager CSFB said it had sold some at par. One difficulty is that because the deal is registered and brokers are not authorised holders, co-managers simply cannot dump their paper in the market. That makes life harder for those who may have been spoiled by the broker escape route on conventional issues.

INTERNATIONAL BONDS

Lehman floats off on a mystery cruise

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT, IN LONDON

LEHMAN BROTHERS sent swap merchants scurrying for their calculators last week as they tried to work out the mechanics of two ingenious deals launched for French borrowers in the floating rate note market.

On Wednesday it launched o $200m floater for Banque Indosuez and on Friday o $400m issue for Banque Française du Commerce Exterieur (BFCE). Both bore the unusual feature of a maximum coupon (set respectively at 13 1/16 and 13 per cent) and both were acknowledged to be part of a swap deal that would give the borrowers funds at rates well below Libor (London interbank offered rate).

But the issues intrigued the market because no competing house was able to work out exactly how the swap was arranged. And convinced that it is now sitting on a winning formula Lehman refused to divulge any details.

All it would say on Friday was that the swaps were made possible by the maximum coupon feature and that in the case of BFCE it would provide funds at a rate of just 2.5 basis points over Libid.

That is much lower than most borrowers in the floater market expect to pay these days.

Lehman's invention was all the more galling because the issues themselves were highly successful. Both carry high margins of ⅜ per cent (in the case of Indosuez over three-month Limean and of BFCE over three-month Libid), which clearly more than offset any worries investors may have had over getting locked in to the maximum coupon.

So long as those worries do not get out of hand and so long as no one else works out the formula, which is evidently as secret and as closely guarded as the ingredients of Coca-Cola, Lehman is sitting on a winner. But as rivals were quick to point out good things never last long in the Eurobond market and the best profits from any innovation always come at the beginning.

Though investors have so far not been fazed by the maximum coupon – many bank buyers of floating rate notes these days are focusing heavily on their short-term return on assets – bankers believe there must still be a limit to the interest rate risk buyers are prepared to take.

The maximum coupons are pitched well above today's rate levels, but even over the last five years experience has shown that rates can move much higher. And if they do, holders of these bonds will make a heavy loss. Also, what is not at all certain is the availability of continuing swap business. Lehman will only say the counterparty represents high-quality risk but it may also be one with limited scope for volume.

Lehman's issues were not the only innovation in a market that concentrated on floaters last week as prices of fixed rate issues slipped by ⅜ points on average.

On Friday Merrill Lynch launched o $300m, 99 year floater for Canadian Imperial Bank of Commerce (CIBC), believed to be the first such issue to qualify as capital under new Bank of Canada regulations. It bears a margin of 1¼ per cent over six month Libor and the debt ranks just ahead of preference shares but is subordinated to deposits and secured notes.

Last week also saw the return of the mismatch floater with a deal for Hydro Quebec led by Credit Suisse First Boston. Belgium was on Friday also seeking bids for an issue of up to $400m that could carry the mismatch formula.

The Hydro Quebec deal was somewhat controversial because many bankers say that the mismatch formula, so much in vogue earlier in the year, has now gone stale. The yield curve which has to be fairly steep to offer much in the way of funding return is now rather flat as rates have fallen.

While some earlier issues continued to languish at very deep discounts last week, o number of the new fixed rate deals were reasonably well received despite the poor tone of the secondary market. CSFB's issues for Queensland and Equitable Life were both, for example, holding up well – one because of the appeal of an Australian name and the other because of the rarity value of the first ever long-term debt issue by the U.S. insurance company borrower.

But the main action in fixed rate bonds lay elsewhere. It was full steam ahead in the South Pacific with four further issues in both Australian and New Zealand dollars. High coupons in these currencies keep investors happy, while the swap opportunities appeal to borrowers.

Ecu issues started the week badly with fairly heavy falls as the market consolidated after its recent gains, but the issue flow continued and prices recovered oo Thursday to finish only modestly lower.

The D-Mark sector has meanwhile been suffering both from a dearth of foreign buyers and a lack of good names. Prices were little changed over the week as a whole, but the DM 500m floater for Bank of Greece finished at a discount of 85 points, outside its 70 point fees, due to investor caution towards the risk.

● Merrill Lynch launched an issue of 50,000 five-year warrants for Norway's Bergen Bank. The warrants priced at $15 each allow the purchase of a $50m, 10¾ per cent bond due 1992 and were trading at $1 over the issue price oo Friday night.

EUROMARKET TURNOVER
Turnover ($m)

	Straights	Conv	FRN	Other
Primary Market				
U.S.$	2,864.1	4.7	3,075.8	119.8
Prev	1,868.2	655.8	2,272.8	279.6
Other	881.9	1.5	5.9	79.9
Prev	455.5	0.7	122.7	73.9
Secondary Market				
U.S.$	29,934.0	1,129.0	16,170.3	3,286.2
Prev	19,770.4	1,475.7	9,864.5	2,286.0
Other	4,070.0	70.2	470.1	1,514.3
Prev	3,556.6	63.6	1,406.1	1,294.3

	Cedel	Euroclear	Total
U.S.$	18,301.1	38,282.7	56,583.8
Prev	11,650.7	26,822.4	38,473.1
Other	3,978.8	3,115.0	7,093.8
Prev	4,037.0	2,936.9	6,973.9

Week to June 13 1985 — Source: AIBD

IRI left to choose SME suitor

BY ALAN FRIEDMAN IN MILAN

THE POLITICAL row over the April 30 agreement by Italy's IRI state holding group to sell for L497bn ($253m) its food manufacturing company, Societa Meridionale Finanziaria (SME) to Sig Carlo de Benedetti's Buitoni foods company took another turn at the weekend when the Government minister responsible suspended the 20-day deadline for decisions which was to have expired yesterday and threw the decision back at IRI.

Last Thursday evening the board of IRI told the Minister for State Participation, Sig Clelio Darida that it considered the Benedetti agreement "valid" and requested a decision by the minister before last night. Instead of deciding between the merits of the de Benedetti offer and the three other bids, which were launched after April, Sig Darida issued a decree postponing the decision, and absolving his ministry of responsibility.

The effect of the Darida decision is that the unruly auction for SME could drag on for several weeks, probably remaining unresolved until after the Italian presidential elections which begin on June 24.

Sig Darida is understood to have made his decision to do nothing after meeting senior Christian Democrat leaders (who in the main have supported the IRI sale to Sig de Benedetti), and Prime Minister Bettino Craxi, who is opposed to the sale to Sig de Benedetti.

After IRI's privatisation agreement with Sig de Benedetti, the SME sale ran into heavy opposition from Sig Craxi, who felt he should have been informed of the deal by IRI, whose running is influenced more by the Christian Democrats than by Sig Craxi's Socialist Party.

Norwegian fish farming company goes public

BY OUR OSLO CORRESPONDENT

THE first public offer of shares by a Norwegian fish farming company is being launched on the Oslo market this week.

The owners of Seafarm, which specialises in the production of young salmon for rearing, are putting about half the company's 1m shares on the market at a price of NKr 220 ($25) each – 22 times their par value. Subscription lists will open on June 20.

Seafarm's owners, dominated by the Stolt-Nielsen group, plan to invest the capital raised in expansion of their foreign agriculture interest, which include fish farms in the UK, France, Spain, Greece, the U.S. and Canada.

In 1984, it achieved an operating profit of NKr 19.5m on turnover of NKr 41.8m.

This year's budget foresees operating profit of NKr 25.4m oo turnover of NKr 53.5m, and net profit, after tax, of NKr 22.1m.

Poor start for two Norwegian banks

By Fay Gjester in Oslo

TWO of Norway's three leading commercial banks were hit during the January/April period this year by the Government's tough credit market measures. These reflected high minimum reserve requirements (up from 10 to 11 per cent from February 1), combined with o low rate of interest on the Treasury bills which banks must hold in order to meet these requiremeots.

The poorer result of the two was announced by Christiania Bank, which saw operating profit before bad debt provisions drop to NKr 172m ($19.5m), from NKr 230m a year earlier. This equalled only 1.13 per cent of average total assets in the period compared with 1.74 per ceot in January/April 1984 and 1.53 per cent for 1984 as a whole.

Net interest income, as a proportion of average total assets, fell to 2.83 per cent, compared with 3.72 per ceot and 3.52 per cent, respectively.

Other operoting income – mainly from currency dealing and share trading – rose to NKr 276m from NKr 200m, while operating costs at NKr 535m were lower in relation to average total assets than a year earlier – 3.52 per ceot compared with 3.66 per cent.

Bergenbank describes its four mooth results as "satisfactory" although profitability was weaker than a year earlier. Operating profits before bad debt provisions rose by NKr 7m to NKr 175m corresponding to 1.51 per cent of average total assets compared with 1.85 per cent in January/April last year and 1.81 per cent for 1984 as a whole.

Net interest income, at NKr 339m, was NKr 21m up from a year earlier, but lower as a proportion of average total assets – 2.94 per ceot, against 3.49 per ceot.

Other operating income rose more sharply – by NKr 42m to NKr 197m.

INTERNATIONAL CAPITAL MARKETS

U.S. MONEY AND CREDIT

Testing week for market's buoyant mood

FOR THE U.S. credit markets, this week could prove decisive, at least in terms of market mood.

Last week investors led short-term interests rates lower, betting on another cut in the discount rate. Speculation about a discount rate cut reached a crescendo *on Friday, sending* bond prices soaring.

But the Federal Reserve, while remaining accommodative, failed to oblige, making the market vulnerable *should* the Fed continue to hold out.

This week the current buoyant mood of the credit markets will be severely tested. The number everyone—perhaps including the Fed—is waiting for is the second quarter flash gross national product estimate due out on Thursday. Estimates range from an anaemic 1 per cent *growth to a more acceptable* 3 per cent, with the bias towards the lower end.

Ahead of the GNP number the market will be reminded of Uncle Sam's own appetite for new funds. On Tuesday the Treasury is due to announce details of the end-quarter mini-refunding. The package is expected to total around $17bn, made up of four-year and seven-year notes together with a $4.5bn tranche of 20-year bonds.

The following day the *Treasury will auction* $9.5bn of two-year notes. On Friday the new paper was trading at 8.45 per cent on a when-issued basis.

But the current key to the markets' mood is the overnight Fed funds rates. *On Thursday* and Friday last week Fed funds dropped below the 7.5 per cent level. More significantly, the Fed did nothing to halt the decline, helping fuel further speculation that a discount rate cut was imminent.

Against this back-drop Treasury bill rates fell by 40 to 60 basis points while bank certificate of deposit rates lagged somewhat behind, reflecting new investor caution prompted in part by the downrating of BankAmerica by one Wall *Street firm.*

Government bond prices rose by between ¾ and 1¼ points with most of the gains coming on Friday, spurred by an unexpected 0.1 per cent decline in industrial production and a lower than expected 0.2 per cent increase in producer prices.

The lack *of* a *discount rate* cut late on Friday left Wall Street's analysts as deeply divided as ever on the prognosis.

Dr Henry Kaufman of Salomon Brothers—while noting that the banking system appears flush with reserves, implying a "very accommodative" Fed posture—said that the credit markets remain vulnerable because "a large volume of securities remain in street positions and the cut in the discount rate may not be immediately forthcoming."

For the time being, he suggested, "the monetary authorities may wish to limit further accommodation to a small decline in the funds rate." Nevertheless, Dr Kaufman, echoing remarks he made earlier in the week in Europe, said that "even this should be enough to prompt another cut in *banks' prime rate."*

Like othe senior economists, Fed's inclination towards additional easing reflects its desire to stimulate domestic economic activity, especially in the light of recent economic statistics, which show no evidence of strong consumer demand amid stagnant industrial production.

Dr Kaufman argues that the Fed's hesitancy to proceed with a more overt move towards easing may be due to the continued strong revival of money supply growth.

Although the $800m increase in M1 last week was less than expected, May M1 growth was nearly 14 per cent.

But others, probably a majority on Wall Street, believe that although M1 remains well over target, the significance of the acceleration is "highly suspect." *Moreover they note* that M2, M3 and non-financial credit growth remain moderate and within target.

For the moment corporate treasurers are still taking advantage of the market's underlying positive week corporate bond prices rose by 1¼ and 1½ point on medium- and long-term bonds respectively.

New issue yield levels were unchanged to 13 basis points *lower and a further $1.53bn in* new corporate paper was brought to market.

Among the new corporate issues last week Chase Manhattan *sold $250m* of 2½-year extendable notes. Morgan Guaranty sold $250m of 8¾ per cent, three-year notes priced to yield 8.894 per cent, and Wells Fargo sold $100m of 12-year floating rate notes.

IBM Credit sold $200m of five-year 9 per cent notes priced to yield 9.05 per cent and $200m of five-year 9½ per cent notes

Paul Taylor

U.S. MONEY MARKET RATES (%)

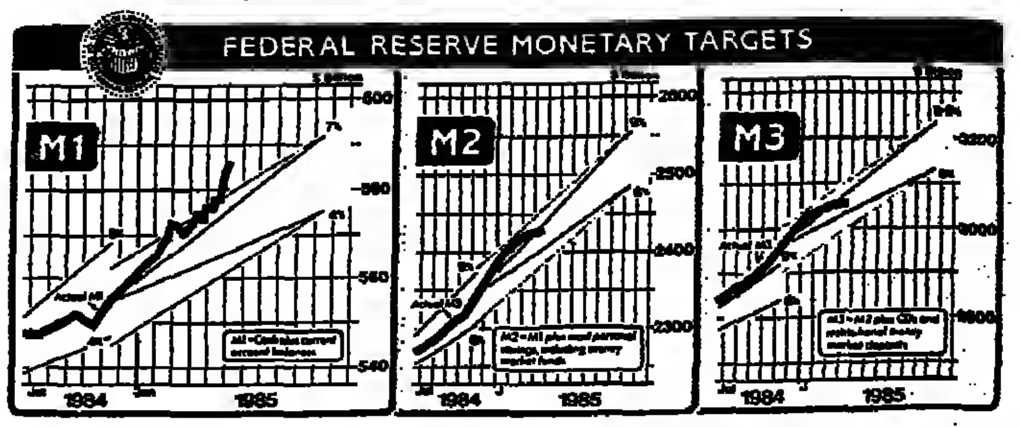
	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	7.50	7.00	8.12	11.77	7.50
Three-month Treasury bills	6.69	7.17	7.41	10.77	6.93
Six-month Treasury bills	6.85	7.27	7.60	10.83	6.85
Three-month prime CDs	7.42	7.50	7.95	11.50	7.37
30-day Commercial Paper	7.35	7.35	7.85	11.38	7.30
90-day Commercial Paper	7.30	7.30	8.05	11.40	7.25

U.S. BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	106⅝	+ 1	9.96	10.16	10.40
20-year Treasury	112⅞	+ 1⅛	10.44	10.62	10.86
30-year Treasury	108	+ 1⅛	10.37	10.53	10.84
New 10-year "A" Financial	N/A	—	10.75	10.75	11.25
New "AA" Long utility	N/A	—	11.32	11.25	11.62
New "AA" Long industrial	N/A	—	11.13	11.13	11.50

Source: Salomon Bros (estimates).

Money Supply: In the week ended June 3 M1 rose by $800m to $585.6bn.



UK GILTS

Foreign buyers lend a resilience

INFLATION may be at its highest level for 2½ years, but the gilt-edged market took Friday's figures showing annual price rises at 7 per cent in its stride.

Gilt prices barely moved after the announcement and ended more or less unchanged on the week.

The muted reaction partly reflected the fact that the market had braced itself for something worse—some brokers had been talking of 7½ per cent—and partly the general expectation that the rate will begin to fall back in the autumn.

Producer price figures earlier in the week indicated that sterling's recent recovery is already dampening pressure on import prices, and the market has been impressed by the Treasury's apparent confidence in its 5 per cent year-end forecast.

The pound's indifference to oil price fears and the continued attraction of gilt-edged yields for foreign, and particularly Japanese, buyers has also given gilts an underlying resilience which many think will be difficult to shake.

And the Bank of England was able to take advantage of a few jitters before Friday's news to sell out of 2 per cent index-linked Treasury 1990 and 2½ per cent index-linked Treasury 2011.

The Bank emphasised its determination to maintain the pace of funding with the issue of a new *£400m tap stock, 3 per* cent Treasury 1990, and a £200m tranche of 2½ per cent index-linked 2013.

The index-linked is simply a replacement stock, and the low-coupon conventional, with a minimum tender price of £75½, is aimed at private investors still holding cash from last month's redemption of 3 per cent Treasury 1985. Some of this was absorbed by the £400m of Treasury 3 per cent 1989, exhausted earlier this month—but the Bank appears confident *that there is still good demand.*

The timing of the issue—on Thursday—suggests that the authorities are satisfied with the level of funding in the June *banking month which ends on* Wednesday, and are now focusing on July. Perhaps accidentally, the tender will coincide with the return of cheques to unsuccessful bidders for the Abbey Life share issue.

There were, however, one or two chinks in the general armour of confidence last week.

The decision by Barclays and *Midland* to *join National Westminster* and Lloyds on a 12½ per cent base rate was widely interpreted as damaging to hopes of a further cut in coming weeks. The two banks would probably have preferred the opportunity to leapfrog their rivals and go to 12¼ per cent, but, unless Friday's fall in the dollar marks a new trend, rates look stuck for the time being.

Meanwhile, in what promises to mark the beginning of a thorough critique of the present operation of monetary *policy, broker* W. *Greenwell* last week poured scorn on the Treasury's increasing emphasis on Mo, the narrow money supply measure.

Recalling the Bank of England's initial objections to Mo, the broker said that the Treasury had targeted a measure it could not control. It would be no surprise if it was eventually allowed to lapse like other targets before it.

At the same time, Greenwell drew attention to the inflationary potential of the huge *build-up of liquid assets* in the economy over the past few years, if something happened to translate it into spending.

There is also some unease about developments in the real economy, particularly the level of pay awards and the acceleration in the growth of unit labour costs.

The Bank of England's focus on sterling M3, which incidentally will be distorted again this month because of the Abbey Life issue, at least in part reflects its concern over such indicators.

Philip Stephens

FT/AIBD INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Price	Chg. on week	Yield
AHFC O/S Fin 11⅛ 94	100	105⅝	−0½	10.64
AIDC 11 89	75	102⅝	−0½	10.06
AIDC 11⅛ 90	100	102⅜	0	11.16
Amer Savings 12 89	125	102⅝	−0⅛	11.25
Amer Savings 12⅞ 89	100	103⅝	0	11.77
Asian Dev Bk 11⅛ 93	100	106⅝	+0½	[illegible]
Australia 11⅛ 90	100	105⅝	−0⅛	[illegible]
Australia 11⅛ 99	300	106⅝	−0½	[illegible]
Australia 11⅛ 96	100	108⅝	−0⅛	[illegible]
Austria 15½ 88	75	112⅝	−0⅛	[illegible]
Avco Fin 13⅜ 91	100	106⅝	−0⅛	[illegible]
Bk Nova Scotia 13⅜ 87	100	106⅝	+0⅛	[illegible]
Bank of Tokyo 12⅞ 92	100	106	+1⅞	[illegible]
Bank of Tokyo 13⅜ 01	100	112⅝	−1	[illegible]
Bank of Tokyo 13⅞ 89	100	111⅛	−1⅛	[illegible]
Bergen Bank 11⅛ 90	75	100⅝	−⅛	[illegible]
BP Capital 11⅛ 92	150	102⅝	−0½	[illegible]
Br Col Hydro 11⅛ 93	200	107⅞	−1⅛	[illegible]
Br Col Hydro 12½ 14	200	111½	−1⅛	[illegible]
Br Col Hydro 12½ 13	250	111	−1	[illegible]
Britoil Fin 11⅛ 90	125	103⅝	−1⅛	[illegible]
Celsea Nat En 11⅛ 95	125	106	−0⅞	[illegible]
Canada 10⅞ 88	500	103¼	−0⅞	[illegible]
Casio Computer 5⅞ 88	80	123	+9	[illegible]
CBS Inc. 11⅛ 92	100	102⅝	−1⅛	[illegible]

	Issued	Price	Chg. on week	Yield
Rural Bk Aust 12 91	50	102¼	−0⅛	11.40
Sanwa Bk 11⅛ 92	150	106⅝	−0⅞	10.58
Saskatchewan 10⅝ 92	100	101¼	−1	10.48
Saskatchewan 10⅝ 90	125	103	−1⅛	9.90
Saskatchewan 11⅞ 89	100	105⅝	−0⅞	10.23
Saskatchewan 15 92	150	120⅝	−0⅞	10.71
Postipankki 11⅛ 90	75	101¼	−0⅛	10.89
Post.Och Kred 13⅞ 87	90	106⅝	+0⅛	9.89
Privatbanken 12⅞ 95	100	99	0	12.90
Prudential Ins 12⅞ 87	150	106¼	−0⅛	9.57
Pru Rlty Secs 0 99	385	23⅞	−0⅞	11.16
Pru Rlty Secs 11⅞ 92	396	105	−1⅛	10.80
Pru Rlty Secs 12⅝ 98	546	107⅞	−0⅛	10.77
Quebec Prov 12⅝ 94	150	108	−0⅛	10.86
Queensland Gvt 11⅛ 88	100	104¼	−0½	10.12
RSC 12⅝ 90	100	100⅛	−0⅛	12.59

CONVERTIBLE BONDS	Issued	Price	Chg. on week	Prem.
Ajinomoto 3 99	120	97⅝	+1⅛	
Best Denki 5⅞ 97	15	140½	−2⅞	−5.79
Canon 7 97	50	187⅞	−4½	−1.39
Daiwa Secs 5½ 88	00	184	−4⅝	1.74
Dev Bank Sing 5½ 88	76	76	0	12.08
Elders 11⅛ 94	150	104	−0⅛	48.94
Elektrowatt 5 98	52	90⅝	+0⅛	14.38
Fujitsu 3 98	180	83½	−0⅛	7.31

	Issued	Price	Chg. on week	Yield
Intec Inc 5 99	60	70	+0½	3.36
Kumagai Gumi 3⅛ 00	80	111⅛	−8	0.23
LASMO 9¼ 98	45	87	−0½	−3.64
Moet-Hennessey 7 89	50	106½	+0⅛	[illegible]
Murata Mfg 3½ 00	100	97	+4⅝	[illegible]
Nippon Oil 3¾ 88	60	86⅝	+0⅛	[illegible]
Ono Pharm 3⅝ 98	00	93	+2⅛	19.08

WARRANTS	Expiry date	Price	Chg. on week	Ex. yld
Commerzbk 11⅜ 88	17/7/88	34	−6½	4.61
Du Pont 13⅜ 88	25/8/88	87	−1⅛	−9.33
Eksportfinas 13⅞ 88	15/9/88	90	+11½	−5.10
Gen Elec 12⅝ 91	7/8/87	81	−11⅛	−5.13
IBM Credit 13 87	19/8/85	72	+0¼	−0.07
Inv In Inds 10⅜ 91	1/12/88	62	−4⅛	−12.38
McDnlds F 11⅛ 94	8/1/89	00	0	1.49
Oester Lnbk 13½ 89	9/9/87	30	+3⅛	0.06
Texaco Cap 12⅞ 92	1/9/87	90	+0½	−4.98
Xerox 12⅝ 87	16/8/88	53	−0⅛	−8.60

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: U.S. dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = current coupon.

CONVERTIBLE BONDS: U.S. dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

* Perpetual.

Closing prices on June 14.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Malaysia builds up stake in Cycle

BY CHRIS SHERWELL AND WONG SULONG IN KUALA LUMPUR

MALAYSIAN government agencies togethor with the London-based Kuwaiti Investment Office bave built up a dominant stake in Cycle & Carriage, ono of Singapore's best known companies, apparently to secure an effective distribution network for Malaysia's first "national car," the Proton Saga.

Tho car is due to start rolling off the production line in the next few weeks, and early salos are important. Cyclo & Carriago offers an expertiso based on its franchise to distribute Mercedes Benz and Mitsubishi vehicles in Singapore and Malaysia.

The Malayslan move comes at the same timo as the Government is casting around for export markets to ensure a return on its M$560m (U.S.$227m) car project, a tie-up with Mitsubishi Motors of Japan.

In March Dr Mahathir Mohamad, the Primo Minister, and main inspiration behind the project, discussed with President Suharto the idea of selling tho Proton Saga in Indonesia. In turn, Indonesia would sell Mercedes Benz commercial vehicles in Malaysia, a move which would also involve Cycle & Carriage.

If the export plan ever gets off the ground it would not only help Malaysia'a heavy industry programme, of which the car project is a central part, hut would also mark a step towards industrial and trade collaboration among the principal portners of the six-member Association of South East Asian Nations (Asean).

Domestie sales of the Proton Saga were intended to be handled by a company linking Mitsubishl's government partner, the Heavy Industries Corporation of Malaysia (Hicom), with United Motor Works (UMW), wbieh has the Toyota franchise in the country.

Instead, there has been o movo on Cyclo & Carriago, apparently prompted hy UMW's cash shortage and the Government's own austerity measures which prevent Hicom investing further in distribution.

Malaysian National Insurance—part of PNB, tho Bumiputra (indiginous Malay) investment agency controlled by the Government—bought a 12¼m block of Cycle shares at tbe end of March. Together with tbe Malayslan Employees Provident Fund (MEPF), which had some 13m shares, the governmeot total stake is now believed to be approaching 25 per cent.

It's power to negotiate with Singapore's Chua family, long the dominant force in Cycle with a reported share of a quarter to a third, is buttressed by the Kuwaiti stake, whicb has been built up in recent weeks to 15½ per cent. The Kuwaitis aro understood to be friendly rathor than hostile partners, and already have a substantial stake in Daimler Benz of West Germany.

Additional evidence of Kuala Lumpur's stratogy has como with the Malaysian authorities' deferral for unspecified reasons of a plan to "Malaysianise" Cycle's subsidiary in the country, which has the Mitsuhishi franchise. This was intended to come under the wing of Cyclo & Carriage Bintang, tho Malaysian eompany which distributes Mercedes vehicles, in which Cycle has only a 49 per cent stake.

Clore sells holding in Gulf Resources

By Our New York Staff

MR ALAN CLORE, who resigned lato last month as chairman of Gulf Resources and Chemical, has sold his 20.3 per cent stake in the group to two London investors, Mr David Barlay and his brother, Mr Frederick Barclay, for about $30.1m.

Mr Clore, tho wealthy Britisb investor who won control of the Houston-based company in a proxy battle three years ago, said he would also resign from its board.

The move comes after a dissidont investor group built up a 6 per cent stako in the company and claimed that Mr Clore had failed to maximise tho company's value.

Onr Financial Staff adds: The Barclays are known primarily as hoteliers—notably owning the Howard Hotel in London—but in 1983 olso acqoired Ellerman Lines, the UK shipping, travol aod brewery group.

Ecu domestic issue by AmRo

AMSTERDAM-Rotterdam Bank (AmRo) plans to issue Dutch "bankbrieven" denominated in European currency units rather than guilders, AP-DJ reports from Amsterdam.

The issues in the Dutch domostic market, is due to begin today, Amro said the initial interest rate would be 9 per cent.

Four-month advance at Astra

BY DAVID BROWN IN STOCKHOLM

ASTRA, the leading Swedish pbarmaceuticals manufacturer, has reported a 24 per cent rise in pre-tax profits for tbe first four months of 1985 to SKr 360m ($40.4m) from SKr 290m a year oarlier.

Tho group bas upgraded its profit forecast for the full year, whleh expeets turnover to rise some 15 per cent to SKr 4.5bn.

Pre-tax profits are expected lo climb as much as 20 per cent to SKr 950m, despite on expected inerease in clinical and marketing costs later in the year.

Astra's sales, 82 per eent of wbich are generated outside Sweden, grew during the period hy 16 per cent to SKr 1.45bn. Improvements were noted in all business areas — cardiovascular drugs, local aoaestbetics, antihiotics, and particularly respiratory ageots.

Astra attributes its performance to high capaelty use, as well as lmproved profitability in its foreign operations. It has reached an agreement in prineiple with Fermenta, the fast-growing Swedish pharmaceuticals ond biotecbnology group, to take over the dental division of Pierrel of Italy, with anual sales of some SKr 60m, as part of its expansion in the Italian market.

After regulatory re-evaluation of its Rhinocort and Pumicort anti-asthma agents, the drugs have been cleared for the UK market but are atill awaiting approval from Swedish authorities, Astra said.

Goldfields Industrial back in profit

BY JIM JONES IN JOHANNESBURG

GOLDFIELDS Induatrial Corporation (GIC), the 60 per cent-owned South African subsidiary of B. Elliott, tho UK machine tools group, returned to profit in the year to March despite a drop in turnover.

Nevertholess, the directors are not optimistic on immediate prospects. Turnovor slipped to R35.9m ($18m) from R37.1m while operating profits before tax and interest payments increased to R1.63m from R0.54m.

A slight drop in the year's interest hill helped generate a pre-tax profit of R0.47m against tho previous year'a pre-tax loss of R0.79m.

The directors say that the general economic uncertainty bas led to a severe decline in business confidence and thot the sharp downturn of the engineering industries has adversely affected GIC'a sales of machine lools.

Demand is expected to remain poor during the first part of the eurrent year and the directors do not expect any substantial improvement in spending on capital goods.

Earnings per share were 12 cents last year against a loss of 20 cents a share in the previous year. Dividends bavo not been declared since 1982.

Renter adds from Cincinnati: Cincinnati Milocron o f the U.S. said an unexpected drop in machine tool demand in April and May has caused it to reduce its internal projection for sales and earnings for the second quarter and all of 1985.

As a result, the company no longer expects profits for the second quarter, whicb ended last week, to exceed the first quarter's $3.5m or 15 cents a share. In the aecond quarter of 1984, it earned $3.35m or 14 cents a share, on sales of $158.6m.

Cincinnoti Milacron said it is considering a series of steps to bring U.S. manufacturing capacity in line with revised estimates for certain product types, but declined to provide details. It said machino tool capacity was maintained in tho second parter in antieipation of further demand increases, noting that a trend of rising demand was firmly established in 1984 and continued through first qnarter.

Acquisition of AMF by Jacobs agreed

By Paul Taylor in New York

AMF, the U.S. leisure equipment manufacturer, bas finally agreed to be acquired by Mr Irwln Jacobs, the Minneopolis investor, under a sweetcned two-step $24 a share cash and paper tender offer.

The agreemeot ends a hitter two-montb hattle between Mr Jacobs and Mr Thomas York, AMF's cbairman, over control of tho group.

Under tbe terms of tbe deal Mr Jacobs will pay $24 a share for 12.5m ont of AMF'a 26.9m shares outstanding, or a total of $300m. Mr Jacob's Minstar holding company would then be merged with AMF under the second stage of the offer, with AMF's sharebolders receiving debt securities with a face value of $18.25 prinelpal amount.

The terms ofthe transaction represent a $1 per share lmprovement over Mr Jacob'a original $23 a share offer for 12m shares, made two months ago. AMF fought that bid by offering a package of securities, also valued at $23 a shore, but the terms of the management's offer were ruled illegal by the courts.

In an apparent attempt to lock out any alternative bids, AMF has also granted Minstar an option to acquire AMF's leisure division for about $300m.

Washington Post in cable TV talks

By Our New York Staff

CAPITAL CITIES Communications has confirmed that it is negotioting to sell its cable television operations to the Washington Post newspaper gronp for about $375m.

The deal would form part of Capital Cities' efforts to raise $1bn to belp fund its $3.5bn acquisition of American Broadcasting Companies (ABC), the U.S. television network group.

The 55 Capital Cities cable systems have abont 375,000 subscribers, ranking the operations as the 21st largest cable system gronp in tho U.S. Last year the cable systems ocbieved operating profits of $2.5m

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS							
Thomson-CSF §‡	75	2000	15	7	100	Morgan Stanley	7.000
Nippon Kon. Kakumaru §‡	50	2000	15	3	100	NKK	3.000
Nippon Mining ¶‡	50	1990	5	7¼	100	Yamaichi Int. (Eur)	7.250
Japan Air Lines ‡	100	1995	10	10	100⅞	Bankers Trust Int.	9.859
New Zealand ‡	200	1995	10	10¼	100	CSFB	10.250
New Zealand ‡	150	2000	15	10½	100	CSFB	10.500
Royal Bk Canada (b)†‡	350	2005	20	1/16	100	Orion Royal Bank	–
Banque Indosuez (c)†‡	200	1997	12	⅜	100	Lehman Brothers	–
Equitable Life ‡	100	1992	7	10⅛	100	CSFB	10.125
Queensland Dev. Ath. ‡	100	1095	10	10¼	99¾	CSFB	10.291
Alcoa of Australia ‡	80	1992	7	11	100	CSFB	11.000
Hydro Quebec †‡	280	2002	17	ɸ	100	CSFB	–
B. Trust GmbH (d)†‡	175	1990	2.7	⅛	100	Bankers Trust Int.	–
Sandoz Holdings §	100	1997	12½	(4¼–4½)	100	SBCI	*
Panama **(a)†‡	20	1992	7	1	100	Citicorp	–
CIBC (e)†‡	300	2084	99	⅛	100	Merrill Lynch	–
BFCE (f)†‡	400	1997	12	⅜	100	Lehman Brothers	–
AUSTRALIAN DOLLARS							
CSR Finance ‡	40	1990	5	13¼	100⅛	Hambros Bank	13.214
Soc. Generale Aus. ‡	30	1988	3	13¼	100⅜	Bankers Trust Int.	13.091
Soc. Generale Aus. ‡	20	1999	5	13¼	100½	Bankers Trust Int.	13.214
Citicorp Aus. ‡	40	1988	3	13½	100½	Citicorp	13.287
Elders ‡	45	1990	5	13¼	100¼	Banque Paribas	13.179
NEW ZEALAND DOLLARS							
Mortgage Bk D'mark ‡	50	1990	5	16⅛	100	Mitsubishi Fin. Int.	16.125
Neder. Gasunie ‡	50	1988	3	10	100	AmRo	10.000
BP Capital ‡	50	1090	3	10	100	CSFB	16.000
Com. Francaise Pet. ‡	55	1990	5	16⅜	100	Banque Paribas	16.375
D-MARKS							
Bank of Greece (a)†‡	500	1995	10	⅛	100	Commerzbank	–
SCN ‡	150	1995	10	7¼	99½	Dresdner Bank	7.322
Ex-Im Bk Korea ‡	100	1990	5	7⅝	100	DG-Bank	7.625
IFC **‡	90	1995	19	7⅛	100	BHF-Bank	7.125
Oest. Ind. Ag ‡	150	1995	10	7	09½	Dresdner Bank	7.071
SWISS FRANCS							
Asics Corp. **§‡	50	1089	–	1⅝	100	Crédit Suisse	1.625
Okuma & Howa **§‡	40	1990	–	1½	100	M. Grenfell en Suisse	1.500
Keio Teito El. Rail. **¶‡	59	1990	–	3¼	100	UBS	3.250
Manitoba ‡	200	1997	–	5½	100	UBS	5.500
Malaysia ‡	129	1097	–	0¼	99½	UBS	*
ICN Pharmac. Inc. §‡	50	1005	–	5¾	100¼	Bqe Gutzwiller, K.B.	5.691
PanAm Corp. §‖	125	1995	–	(8½)	*	Soditic	*
Japan Highway **‡	150	1990	–	5⅜	100	Credit Suisse	5.375
Sanyo Electric **¶	80	1990	–	(3⅜)	100	SBC	*
STERLING							
Tricentrol ¶‡	35	1992	7	11	100	Morgan Grenfell	11.000
ECUs							
Union Bk Norway ‡	70	1005	10	9	100	CCF	9.000
Bk Mees & Hope	50	1992	7	9	*	Bk Mees & Hope	*
C. Itoh	60	1992	7	8¾	*	Banque Indosuez	*
GUILDERS							
Mafina **‡	100	1990	5	7	99½	NMB Bank	7.122
EEC ‡	200	2000	10½	7¾	100	AmRo	7.750
YEN							
Amax Overseas ‡	10bn	1995	9	6.9	100	Nikko Secs.	6.900
NORWEGIAN KRONE							
Den norske Industribk ‡	200	1993	8	10	100⅛	Christiania Bank	9.975

* Not yet priced. ‡ Final terms. ** Private placement. § Convertible. † Floating rate note. ¶ With equity warrants. ‖ Dual-currency. (a) ¼ over 6m Libor. (b) 1/16 over 1m Libor. (c) ⅜ over 3m Limean. (d) ⅛ over 6m Libor. (e) ⅛% over 6m Libor. (f) ⅜ over 3m Libid. ɸ Mis-match – 6m Libid, fixed monthly, payable semi-annually. Note: Yields are calculated on AIBD basis.

N. AMERICAN QUARTERLIES

BROWN-FORMAN
Wine and spirits

Fourth quarter	1984-5 $	1983-4 $
Revenue	264.6m	283.8m
Net profits	16.5m	13.8m
Net per share	0.75	0.64
Year		
Revenue	1.21bn	1.15bn
Net profits	81.7m	73.5m
Net per share	3.43	2.90

GENERAL CINEMA
Theatres, bottling

Second quarter	1984-5 $	1983-4 $
Revenue	219.4m	207.6m
Op. net profits	18.7m	13.8m
Op. net per share	0.49	0.34
Six month		
Revenue	434.2m	404.8m
Op. net profits	33m	23.8m
Op. net per share	0.87	0.63

JACK ECKERD
Drugstores

Third quarter	1984-85 $	1983-84 $
Revenue	711.7m	650.1m
Net profits	8.76m	17.95m
Net per share	0.23	0.48
Nine months		
Revenue	2.24bn	1.96bn
Net profits	63.66m	67.59m
Net per share	1.66	1.80

SE listing puts value of £12.8m on First Security

BY STEFAN WAGSTYL

First Security Group, a manufacturer of equipment for car safety, security and fire detection, is coming to the stock market with a value of £12.8m.

The company is being floated off by a subsidiary of Midepsa International, the Canadian investment company controlled by Mr David Wickins, of British Car Auctions, and Mr Michael Ashcroft, of Hawley Group. After the issue, Midepsa will retain 36 per cent of First Security.

Dr Fred Westlake, First Security's chairman, will retain another 2 per cent, leaving 62 per cent for the offer for sale.

First Security's profits have risen from £16,000 pre-tax on sales of £2m in 1981, to £899,000 in sales of £6.2m for the year to the end of April, taking into account only the group's continuing businesses.

However, after assuming that the offer for sale proceeds had been available for the year to March and making other adjustments to account for recent acquisitions, the group says its pro-forma profits were £1.2m pre-tax on sales of £7.1m.

On this basis, and on a 32.4 per cent tax charge, the shares offered at 160p are priced at 15.8 times earnings. The company is forecasting a 3.5p dividend for 1985-86, making the yield 3.1 per cent.

First Security will raise £1.5m net from the offer for sale and a capital reconstruction taking place at the same time.

First Security was acquired by Midepsa in September 1984 and expanded by two acquisitions in December last year and in March.

The biggest contribution to group operating profits — 43 per cent — comes from its security activities, manufacturing inertia sensors and other electronic equipment.

Another 37 per cent of profits comes from automotive safety—the company makes inertia switches (used in automatic fuel systems to switch off fuel in the event of a crash). The main customer is Ford, in the U.S., accounting for 89 per cent of this division's revenue.

Fire detection, accounting for the remaining 20 per cent of operating profit, involves the manufacture of smoke detection systems and alarms.

The company, which employs 240 people, has its biggest site in Fleet, Hampshire.

The broker to the issue is L. Messel. The application lists close on Friday, and dealings are expected to start on Thursday, June 27.

● comment

First Security has been bolted together by Midepsa in a series of quick deals typical of Mr Wickins and Mr Ashcroft. The company, as it now stands, has only been in existence for a few months so it is difficult to judge how it will perform as a group. The activities are a mixed bag—the core security business seems to have filled a useful niche in a competitive market, concentrating on manufacture not installation. The fire detection operation too concentrates on a specialised product, though its success has yet to be proved given that most of it has been in the group for only a few months. Then there is the car safety business, which has generated much of the group's recent profit growth but almost all of it achieved on the back of one overwhelmingly large contract. It seems hard to believe that this untidy bag of businesses is worth 15.8 times adjusted, pro-forma earnings, calculates to include interest on offer for sale proceeds, but with Mr Ashcroft and Mr Wickins one never quite knows.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims—S. and W. Berisford, London Scottish Finance, Union Discount.

Finals—Alphameric, Avana, Chamberlain Phipps, Leigh Interests, Marshalls Halifax, PCT, Unigate.

FUTURE DATES

Interims—

Liscroft Kilgour .... July 2
Oakwood .... July 1
Watson and Philip .... June 18

Finals—

Arial Industries .... June 26
Electric and Genl Investment June 27
Hampton Gold Mining Areas . June 26
Health Care Services .... June 24
S and U Stores .... June 21

Bell's to remain in Scotland if bid succeeds

By Mark Meredith

MR ERNEST SAUNDERS, chief executive of Guinness, the brewing and retailing group, said yesterday that the management of Arthur Bell, the whisky company, would remain in Scotland, if Guinness succeeded in its takeover bid for the Perth-based company.

At a press conference in Glasgow, Mr Saunders said he would try this week to contact Mr Raymond Miquel, chairman of Bell's, to arrange a meeting.

Mr Miquel last weeks rejected Guinness' £327m bid for Bell's, as "inadequate." He is expected back from a trip to the U.S. this week.

Mr Saunders would not be drawn in questions from journalists about any possible increase in his offer price.

The press conference was called apparently to soothe any anxieties in Scotland about the implications of a takeover.

Past cases of UK or foreign companies buying out Scottish companies have generated considerable opposition in Scotland, which fears the loss of further management skills.

"The management of the operating company would remain with the operating company," Mr Saunders said.

He added that the Gleneagles Hotel group, which was taken over by Bell's last year, would remain within the group. But he said the future of the Piccadilly Hotel in London, a recent purchase by Gleneagles, would need to be reviewed.

Mr Saunders said he had in mind the creation of a British drinks marketing group based on the foundation of Guinness and Bell's.

While avoiding direct criticism of the management of the whisky company, Mr Saunders said that the promotion of a product would have to be aimed at the consumers not just at agents such as pub owners.

Christian Salvesen to offer 57m shares

BY STEFAN WAGSTYL

Christian Salvesen, one of the UK's largest private companies, is coming to the stock market with a £66m offer for sale.

Merchant bank Kleinwort Benson is offering 57.1m shares, or 20.8 per cent of the enlarged equity, at a fixed price of 115p, valuing the company at £315m.

The Edinburgh-based group, with interests in food processing and distribution, housebuilding and marine and oil services, made profits of £33.4m pre-tax on turnover of £256m in the year to March.

Earnings per share were 7.6p, after a 41 per cent tax charge, putting the shares on a price/earnings multiple of 15.1 at the offer price. The dividend for the year was 2.875p, making the yield 3.57 per cent.

Existing shareholders, among them many descendants of the company's 19th century founder, are selling 37.1m of the shares on offer. The remaining 20m are being sold to raise £21.35m after expenses to help fund the company's future expansion.

Christian Salvesen's largest business is in food related activities, which contributed £19.2m of the group's £32.4m trading profit last year.

The company's properties division, contributing £8.3m of trading profit, runs a brickmaking company and a housebuilder, Salvesen Homes.

The marine and industrial division, bringing in £4.9m of trading profit, has a portfolio of businesses which includes a fleet of colliery coasters, a generator supply company and an offshore services concern.

● comment

Christian Salvesen comes to market bearing a mixed bag of businesses built up over a generation spent re-investing the fortune the company amassed from whaling. Along the way there have been a few false turns, but the group has managed to move itself strongly into the food industry, one of the stock market's most popular sectors. These activities, particularly food storage and distribution, seem to have good growth prospects both in the UK and overseas and on their own would merit a multiple of well over 15. A high premium rating here should however be partly offset by lower multiples elsewhere—the housebuilder concentrates on second homes, but is based in the depressed North West; the generator supplier seems to have found a place in a specialist market, but the same can hardly be said of the company's brickworks. And the group's interests in U.S. oil and gas participations do not quite square with Salvesen's effort to gather the rest of its activities into a coherent whole. Nevertheless, in valuing the company at 15 times historic earnings, Salvesen's directors seem to have struck the right balance between the group's various parts.

Drexel in withdrawal

BY LUCY KELLAWAY

Drexel Burnham Lambert, the Wall Street securities house, is withdrawing its application to become a primary dealer in the market for UK Government securities.

Mr Roger Jospe, the senior executive vice president in charge of Drexel's European operations, said yesterday that the reason for the decision was the large number of other applicants also seeking to become market makers.

"In the first two or three years the return on capital employed would not be enough to satisfy us," he said. Drexel will be reviewing its position when the next set of applications are invited in 1987.

The Bank of England announced earlier this month that 31 financial groups had applied to put a total of £600m and £700m into the market, about four times the amount of capital presently committed.

Drexel, which specialises in the junk bond" section of the U.S. bond market, is the first to announce its plans to pull out. The other 30 groups have until this week to reconsider.

Reuters seeks control of Visnews

The international business information group, Reuters, is seeking to acquire a controlling interest in Visnews, the television news agency, in which it already has a 33 per cent stake.

Reuters is currently holding preliminary talks with the BBC, which owns a further 33 per cent of the shares. However, no announcement can be expected until next month following a board meeting of Visnews' trustees.

Visnews would fill a gap in Reuter's overall news services, the company said yesterday. It would add moving pictures to news picture services launched at the beginning of this year.

Evelyn-Jones family sells Tex holdings

CONTROL OF Tex Abrasives, the sandpaper manufacturer, has passed from the Evelyn-Jones family. They have sold 29.9 per cent of Tex to Edward Le Bas, a private industrial holding company, and the remaining 23.9 per cent of their holding have been placed by Sheppards and Chase, all at 80p a share.

At the same time, the Tex board announced that it is buying BSP, a manufacturer of weld steel tube, for £975,000 from ELB, and is selling its Hermes coated abrasive assets for £1m to one of its major suppliers NSI.

The company has also reported profits before tax for the year to March of £341,000 (£321,000), and announced a final dividend of 2.75p to make a total of 3.5p (3.5p).

Mr A. Burrows and Mr W. B. Charity, respectively chairman and managing director of ELB will become chairman and managing director of Tex.

John Swan falls

Pre-tax profits of John Swan & Sons fell from £151,000 to £139,000 for the year to April 30, 1985, on turnover ahead by £39,000 to £980,000.

The directors of this Edinburgh-based livestock auctioneer and estate agent, are maintaining the single dividend at 8.5p net.

FT Share Information

The following securities have been added to the Share Information Service:—

Aspen Communications (Section: Paper, Printing).
Domino Printing Sciences (Electricals).
Elbar Inds. (Industrials).
Martin Currie Pacific Trust (Trusts).
Nationwide Bldg. Soc. 12¼pc 12/5/86 (Loans, Building Societies).

FINANCIAL TIMES STOCK INDICES

	June 14	June 13	June 12	June 11	June 10	June 7	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Government Secs.	81.56	81.45	81.66	81.68	81.51	81.81	82.00	78.02	127.4	49.0
Fixed Interest......	86.12	86.11	86.15	86.10	86.06	86.58	86.38	82.17	150.4	50.0
Ordinary..........	979.1	987.0	984.0	998.4	991.5	1001.5	1024.6	926.7	1024.6	49.4
Gold Mines..........	456.8	429.6	488.8	424.4	421.9	434.2	636.8	421.0	734.7	43.4
FT-Act All-Share...	616.44	619.54	636.39	632.00	629.24	624.66	644.21	581.88	644.21	61.9
FT-SE100..........	1275.6	1278.9	1291.4	1308.1	1299.5	1310.6	1324.4	1208.1	1342.4	986.0

EQUITIES

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −	Net Div.	Times covered	Gross Yield	P/E Ratio
95	F.P.	28/6	106	104	✠Abbeycrest 10p......	106	......	42.5	2.5	3.4	12.9
172	F.P.	28/6	190	175	Asda Property 20p ...	178	−2	u3.0	2.1	2.4	22.3
130	F.P.	—	134	125	Brent Walker 10p.....	129	+5	b3.5	2.6	3.9	11.3
375	200	10/9	255	195	British Aerospace 50p	195	−5	13.65	3.1	5.5	6.8
§76	F.P.	5/6	88	80	✠Browns (C.) Car 10p	83	......	bg2.5	3.4	4.3	14.1
186	F.P.	31/5	175	165	✠Clayform Props. 5p	165	......	bg7.5	2.1	6.5	13.4
¶¶	F.P.	—	12	11	Clive Discount Wrrts..	12	−2	—	—	—	—
135	F.P.	21/6	135	111	Coloroll 10p..........	111	−2	bg4.5	2.8	5.8	8.8
§94	F.P.	21/6	105	97	✠Datron Int'l. 5p......	97	−6	u1.0	5.9	1.5	11.4
§117	F.P.	31/5	130	114	✠Electron House 10p	114	−4	bg2.7	1.9	3.4	18.7
§300	F.P.	28/6	445	370	✠Holmes & March. 10p	385	−15	u3.5	4.1	1.3	27.6
§150	F.P.	7/6	205	165	✠Huntleigh Tech 5p..	195	−2	u1.5	3.5	1.1	31.3
140	F.P.	—	155	143	IBL 10p..............	143	−2	g1.3	5.3	1.2	18.2
§120	F.P.	7/6	189	143	✠Moorgate Group 5p	165	−1	bg2.0	5.2	1.5	18.4
50	F.P.	—	50½	50	Nordic Inv. Trust 10p	50	......	—	—	—	—
41	F.P.	9/7	47½	40	✠Perkins (J.) Meats 10p	40	−1	b.g1.8	2.0	6.4	10.6
100	F.P.	7/5	106	75	Prestwick 5p..........	75	−5	u3.1	3.5	4.0	10.2
¶175	F.P.	7/6	205	176	✠Sherwood Com 10p	175	−5	62.75	5.4	2.2	10.5
§ ‖	F.P.	—	425	370	Sturge Hldgs 20p.....	370	......	b6.0	2.4	2.3	24.0
§120	F.P.	26/6	125	107	✠Viewplan 5p..........	107	−5	u1.25	4.0	1.7	18.4
98	F.P.	12/5	115	98	✠Wold 5p.............	98	......	u2.5	2.7	5.5	12.4

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price £	+ or −
‖	Nil	26/7	7pm	4pm	Allebone 8¾% Cnv. Cum. Rd. Prf.......	5pm	......
‖	Nil	2/8	50pm	35pm	Assoc. Brit. Eng. 8% Cum. Cnv. Rd. Prf.	35pm	+5
¶¶	F.P.	—	111	107	Cape Inds. 6.4% Cum. Cnv. Red. Pref...	110	......
‖	Nil	22/7	6pm	1pm	Kennedy Brookes 9¼% Cnv. Un. Ln. '92	1pm	−1
‖	F.P.	6/7	109p	105p	Lon. & Edin. 6½% Conv. Cum. Rd. Prf....	105p	−5
90.705	£30	6/6	31⅛	29½	Malaysia 10¾% Ln. 2009............	30½	−½
—	F.P.	—	100¼	100$\frac{1}{16}$	Nationwide Bldg. Soc. 12¼% 2/6/86.....	100¼	......
‖	F.P.	19/7	105p	100p	Russell (A.) 5.75% Cum. Cnv. Rd. Prf....	103p	+2
94.895	£50	12/7	36¼	30	Spain (Kingdom of) 11¼% Ln 2010	35½	+½
‖	N5	26/7	1½pm	¼pm	Woolworth 6½% Cnv. Uns. Ln. 2000 ...	¼pm	−¼

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renunc. date	1985 High	1985 Low	Stock	Closing price p	+ or −
195	F.P.	16/7	218	195	Anchor Chemical..............	198	......
—	Nil	—	3pm	3pm	Ansbacher (N.)...............	3pm	......
350	F.P.	5/7	605	572	Beazer (C.H.) 70p............	590	−5
190	Nil	6/6	65pm	50pm	Emess Lighting...............	50pm	−2
220	Nil	—	19pm	7pm	English China Clays..........	7pm	......
154	F.P.	—	160	154	✠Godwin Warren	160	......
80	F.P.	26/6	85	85	✠Grosvenor Square 10p......	86	−1
185	Nil	—	33pm	18pm	Hanson Trust.................	18pm	−2
120	F.P.	18/7	132	126	Suter 5p......................	126	−5
10	F.P.	12/7	40¼	37	"The Times" Veneer	37½	−½
150	F.P.	18/7	211	178	Tomkins (F.H.) 5p............	210	−1
2	Nil	22/7	1½pm	1pm	Willaire Systems..............	1pm	......

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus*) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Company	Date	Announcement last year
Assoc Newspapers	July 12	Interim 4.5
*Avana	June 17	Final 5.825
*BPB Inds	June 26	Final 4.2
BET	July 18	Final 8.75
*Berisford (S. & W.)	June 17	Interim 3.5
British Land	June 19	Final 1.5
*British Telecom	June 18	Final due
Burnett and Hallamshire	June 22	Final 4.75
*Cable and Wireless	June 26	Final 4.1
*Centrovincial Estates	June 18	Final 2.0
Charter Cns	June 27	Final 7.25
Dealjan	July 11	Final 8.625
Daily Mail & Gen Tst	July 12	Interim 12.0
Davy Corpn	July 18	Final 2.585
*Dawson Intl	June 20	Final 4.9
Distillers	July 18	Final 8.15
Dixons	July 19	Final 3.4
Dowty	July 18	Final 2.8
*Ferranti	June 26	Final 4.4
*Fitch Lovell	June 20	Final 6.7
*GEI Intl	June 18	Final 8.555
Gestetner	July 18	Interim 0.5
Great Univ Stores	July 18	Final 10.5
Greycoat City Off	July 12	Final 0.8
*Hambros	June 25	Final 42.75
Haslemere Estates	July 12	Final 8.61
*Imperial Cont Gas	June 27	Final 8.5
Imperial Gp	July 12	Interim 3.0
Intasun	July 3	Final 2.6
Johnson Matthey	June 20	Final 7.0
*LRC Intl	June 20	Final 2.35
London and Midland Ind	July 10	Final 4.5
Magnet and Southerns	July 12	Final 2.7
*Meyer Intnl	June 16	Final 3.1
*NatWest	July 30	Interim 12.0
*Northern Foods	June 19	Final 2.5
*Powell Duffryn	June 19	Final 11.0
*Racal Electronics	June 24	Final 2.16
Rank Organisation	July 12	Interim 4.8
Ratners	July 12	Final 1.63
Rothmans Intl	July 18	Final 4.0
Scottish and Nwcstle Brws	July 3	Final 3.64
Thorn EMI	July 12	Final 12.5
Trusthouse Forte	June 25	Interim 1.125
*Unigate	June 17	Final 4.75
*Union Discount	July 17	Interim due
Vantona Viyella	July 2	Interim 4.0
Wedgwood	June 18	Final 3.5

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

SHARE STAKES

Changes in Company share stakes announced over the past week include:

Grattan—P. F. Lomas, finance director, has exercised an option to purchase 35,000 shares at 108p on June 10 and now holds 36,000 shares.

Albert Fisher Group—D. G. Pearce, a director, has disposed of 200,000 shares and now holds 382,623 ordinary and 7,643 7 per cent convertible preference shares.

Promotions House—D. J. Robson, a director of Bonusbond Holdings, has disposed of his entire interest of 245,000 ordinary in the holding company Promotions House.

Pentos—T. A. Maher, chairman, sold on June 12 100,000 ordinary shares. He continues to hold 1,100,721 deferred ordinary and 400,000 ordinary shares.

Pritchard Services Group—C. Roberts, a director, sold 105,263 shares recently acquired upon exercise of options and now holds 9,375 shares (0.01 per cent).

Castle (G. B.)—R. B. Troughton, a director, has purchased 50,000 shares at 24p.

Lorlin Electronics — 400,000 shares have been placed on behalf of Sidney Berk, chairman, who now holds 522,000 shares (10.08 per cent).

Micro Business Systems—Directors W. S. C. Richards and M. J. Brooke have each purchased a further 25,000 ordinary shares at 126p.

J. Bibby and Sons—A. G. Thompson, director, acquired 20,000 ordinary shares.

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Garfunkels Restaurants, Bath House, Holborn Viaduct, EC, 10.30
Hammerson Prop Inv and Dev Cpn, 100, Park Lane, W, 12.00
Inchcape, Baltic Exchange, St Mary Axe, EC, 12.00
Leyland Paint and Wallpaper, Ladbroke Mercury Hotel, Leyland, 11.00
Outwich Inv Tst, 8, Bishopsgate, EC, 2.30
Wimpey (George), Royal Garden Hotel, Kensington High Street, W, 12.00

BOARD MEETINGS—
Finals:
Alphameric
Avana
Chamberlain Phipps
Leigh Interests
Marshalls Halifax
PCT
Tex Abrasives
Uergate
Interims:
Beristord (S & W.)
London Scottish Finance
Union Discount

DIVIDEND & INTEREST PAYMENTS—
BBL Intnl FltgRtNts 1995 $249.02
Baillie Gifford Technology 0.85p
Barclays Overseas Inv GtdFltgRtNts 1990 $249.02
Bmlme (T. F. and J. H.) 1.5p
Bmlme (T. F. and J. H.) 1.5p. Do A N-vtg 1.5p
Campari Intnl 0.5p
EAB Finance GtdFltgRtNts 1993 $248.04
Exco Intnl 4.75p
FPL Grp 49cts
Ford Motor Br 3cts
Grovebell Grp 0.3p
Hammerson Prop Inv and Dev Cpn 6.5p. Do A 6.5p
Honeywell Inc 0.478cts
Hutton (E. F.) 20cts
Hyman (I. and J.) 1p
Liberty 5.2p. Do N-vtg 5.2p
MY Dart 0.5p
PSM Intnl 3.15p
Peters Stores 0.5p
Senior Eng 9½pcUnsLn 1994-99 4¾pc
Sunlight Service Grp 0.67p
Suter 2.8p
Ulster TV N-vtg A 2.5p
Utd Mizrahi Intnl Inv GtdFltgRtNts 1987 $499.24
Utd Newspapers 9p

TOMORROW

COMPANY MEETINGS—
Costain Grp, Glaziers Hall, 9, Montague Close, London Bridge, SE, 12.00
Gerard and Natl, 32, Lombard Street, EC, 12.00
Hunting Asscd Inds, 243, Knightsbridge, SW, 12.30
MacLellan (P. and W.), White Art Hotel, Bailgate, Lincoln, 12.00
Quick (H. and J.), 660, Chester Road, Old Trafford, Manchester, 11.00
Rotaflex, Concord House, 241, City Road, EC, 10.00
Runciman (Walter), 52, Leadenhall Street, EC, 12.00
Silentnight Hldgs, Silentnight Exhibition Centre, Satterforth, Colne, Lancs, 12.00
Simon Eng, Bird Hall Lane, Cheadle Heath, Stockport, 12.00
Sunlight Service Grp, Cafe Royal, 68, Regent Street, W, 12.00

BOARD MEETINGS—
Finals:
Cape Inds.
Centrovincial Estates
Continental & Indl. Tst.
Erskine House
GEI Intl.
London & Overseas Freighters
Meyer Intnl.
Platon Intnl.
Steinberg
Interims:
Countryside Properties
Fenner (J. H.)
Watson & Philip
Winterbottom Energy Tst.

DIVIDEND & INTEREST PAYMENTS—
Bramall (C. D.) 4.35p
Credit Natl GtdFltgRtNts 1995 £174.86
Garfunkels Restaurants 0.87p
Marine Midland Banks FltgRtSubordNts 2009 $249.17
Riggs Natl Cpn FltgRtSubordNts 1990 $250.78
Taiwan Power FltgRtNts 1992 $499.24

WEDNESDAY JUNE 19

COMPANY MEETINGS—
Caparo Props, Howard Hotel, Temple Row, WC, 12.00
City of Oxford Inv Tst, 41, Bishopsgate, EC, 12.00
Feb Intnl, Albany House, Swinton Hall Road, Swinton, Manchester, 11.30
Hawker Siddeley Grp, Dorchester Hotel, Park Lane, W, 12.00
Rickmansworth Water, London Road, Rickmansworth, Herts, 11.45
Secs Tst of Scotland, 29, Charlotte Square, Edinburgh, 12.00
Shiloh, Holden Fold, Royton, 11.00
Tern Grp, Lawrence Road, Tottenham, N, 12.00

BOARD MEETINGS—
Finals:
British Telecom
C. H. Industrials
Davis (Godfrey)
Headlam Sims & Coggins
Mountview Estates
Northern Foods
Oxford Instruments
Powell Duffryn
Interims:
Arbuthnot Japan Groth Fd.
Arbuthnot Sterling Fd.
Arbuthnot Yen Bond Fd.
Horne (Robert)
Ine Leisure
Kenning Motor
Lee (Arthur)
Lookers
Scottish American Inv.

DIVIDEND & INTEREST PAYMENTS—
Bank fur Arbeit und Wirtschaft Subord FltgRtNts 1999 $489.76
Barham Grp 4p
Capital Gearing Tst 0.2p
Citicorp Overseas Fin GtdFltgRtSubordNts 19-9-96 $247.57
Feb Intnl 2.0185p. Do A (N-vtg) 2.0185p
Lowland Inv 3p
Marine Midland Bk FltgRtSubordCapNts 1996 $249.17
NOB Finance (Cayman) GtdFltgRtSerialNts 1987 $356.1
Outwich Inv Tst 2p
Quick (H. and J.) 2p
Utd Mizrahi Intnl Inv GtdFltgRtNts 1988 $498.08

THURSDAY JUNE 20

COMPANY MEETINGS—
Billam (J.) Baldwins Omega, Sheffield, 12.00
Boase Massimi Pollitt, 12, Bishops Bridge Road, W, 10.00
Boustead, Becket House, 1, Lambeth Palace Road, SE, 12.00
Dowaibrae Hldgs, Merchants House, 7, West George Street, Glasgow, 11.00
Garnar Booth, Grange House, 84-86, Borough High Street, SE, 2.30
Jvilleoas Hldgs, Raffles Nightclub, 287, Kings Road, SW, 10.30
Spear and Jackson Intnl, Chartered Accountants Hall, Moorgate Place, EC, 11.30
Towles, Queens Road, Loughborough, 11.30
Usher-Walker, Connaught Rooms, Great Queen Street, WC, 12.00
Yale Catto, Great Eastern Hotel, Liverpool Street, EC, 12.00

BOARD MEETINGS—
Finals:
Dawson Intl.
Fitch Lovell
LRC Intl.
Mitchell Somers
Scapa
Whittington Engineering
Wigfall (Henry)
Interims:
Bankers Inv. Tst.
Bett Brothers
Dundee & London Inv. Tst.
Kennings Estates

DIVIDEND & INTEREST PAYMENTS—
Banca Serfin SubdFltgRtSerialNts 1985-89 $483.44
Bk of Montreal FltgRtDbs Series 5 1990 $47.71
Bayer AG DM 9
Ellis and Goldstein 1.48p
Essex Water 8½pcPerpDb 1¼pc. 4pcPerpDb 2pc. 5pcPerpDb 2½pc. 5pcDb 1986-91 2½pc. 8¼pcDb 1983-88 2⅛pc. 7pcDb 1987-89 3½pc. 8pcDb 1991-93 4pc. 10pcDb 1992-94 5pc. 7pcDb 1991-93 3½pc. 10½pcDb 1994-96 5¼pc.
InterNorth Inc 62cts
M and G American Recovery Fund 1p
Security Pac Cpn FltgRtSubordCapNts 1987 $226.68
Shiloh 1.25p

FRIDAY JUNE 21

COMPANY MEETINGS—
Asscd British Foods, Connaught Rooms, Great Queen Street, WC, 11.00
Combined Technologies, Great Eastern Hotel, Liverpool Street, EC, 12.00
Comprehensive Financial Services, Country Landowners Assn, 16, Belgrave Square, SW, 3.00
Dentora, Waveney House Hotel, Puddingmoor, Beccles, Suffolk, 12.00
East Surrey Water, London Road, Redhill, 10.30
Group Lotus Car, Hethel, Norwich, 12.15
Lake View Inv Tst, Winchester House, 77, London Wall, EC, 10.45
Moenmos, Great Eastern Hotel, Liverpool Street, EC, 10.00
TDS Circuits, Whitebirk Estate, Blackburn, 3.00
Wills (George) and Sons, Honourable Artillery Company, Armoury House, City Road, EC, 11.15

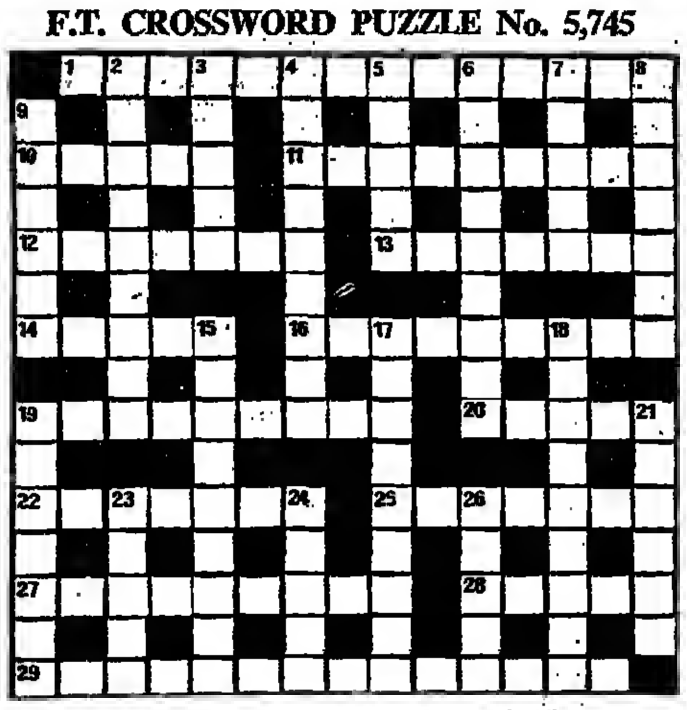
BOARD MEETINGS—
Finals:
Associated Heat Services
Baker Perkins
S. & U. Stores
Scott Greenham
Stead & Simpson
Interims:
Grainger Tst.

DIVIDEND & INTEREST PAYMENTS—
Casket (S.) 0.8p
E Surrey Water A 7pcMax 3.5p. D 4.9pcMax 2.45p. C 3.5pcMax 1.75p. 3.5pcPf 1.75p. 3.15pcRdPf 1980-85 1.575p. 4.2pcRdPf 1985-90 2.1p. 5.0pcRdPf 1992-94 2.5p
Hawtal Whiting Hldgs 1.5p
Holt (Joseph) 1p
Intnl Income Property 23cts
Kean and Scott Hldgs 1p
Lone Star Inds 0.475cts
Natl Cmml Bk FltgRtNts 1994 $464.48
Pfizer 37cts
North Atlantic Secs Cpn 1p
Richards 0.5p
Royal Dutch Petroleum 153.14804p
Scandinavian Finance FltgRtSerialNts dec 1993 $464.48
Scottish Heritable Tst 1.4p
Scottish Natl Tst 1.5p. 6pcPf 2.1p
Spain (Kingdom of) 12pcLn 1988 6pc
Stat-Plus Grp 1.5p
TDS Circuits 2.9p
Telecomputing 0.65p
Utd Ceramic Distributors 2.5p
Wardle Storeys 1.7p
Windsor Secs 0.55p
Yorkgreen Invs 0.2287p

SATURDAY JUNE 22

DIVIDEND & INTEREST PAYMENTS—
British Printing and Comm Cpn 6.5pcRdPf 3.25p. 7.5pcRdPf 3.75p. 7.75pcRdPf 3.875p

F.T. CROSSWORD PUZZLE No. 5,745



ACROSS

1 The incidence of it is dropping off (6, 8)
10 Strong material sent back or dug up (5)
11 Unusual trip finds spray in the main (9)
12 Derange—leaving bracket, we hear? (7)
13 GP learn about what might have a fluke? (7)
14 This unattractive woman could be spotted (5)
16 Withdraw from P-paradise, perhaps (9)
19 Colonnade surrounding court in a fairy fashion (9)
20 E.g. gaucho attached to Bill (5)
22 Counter anger with continuous questions (7)
25 Propriety observed in style of house-furnishing, with some hesitation say (7)
27 See devil create wildly and bring down curse (9)
28 Retract article taken from year-book (5)
29 Help us print the revision—it is child's play (4, 3, 7)

DOWN

2 Time for ploughman's course to be set (5-4)
3 Hardy heath? (5)
4 Wild-eyed satyr of most recent history (9)
5 I celebrate in sound—topping! (5)
6 One taking issue in kind paper review (9)
7 Lamb-like, English, with skewer upside down (5)
8 Colonist who stumps up (7)
9 Measure of a horse (6)
15 Will's books? (9)
17 Veronica to bowl along by spring (9)
18 Object—cure an outbreak. Patience needed (9)
19 Injunction from Wellington, put out (7)
21 Rabbit on range? (6)
23 Yorkshire city rent cricket-side (5)
24 Obliterate inner camera sensitivity (5)
26 Potato-store a hundred light? (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Current
Royal Highland Show (031-333 2444) (until June 19)
Ingliston Showground, Edinburgh

June 24-27
Computers in Manufacturing (01-891 3426) — Olympia

July 1-3
Insurance Information Exchange—exhibition and seminar (01-831 6909)
City Conference Centre, EC3

July 2-4
P.C. Users Show (01-637 3699) — Olympia

July 9-11
National Education, Training and Development Exhibition and Conference (01-637 2400)
NEC, Birmingham

July 11-20
World Wine Fair (01-222 9341)
Exhibition Centre, Bristol

July 14-18
Gift Trade Fair (0282 867153)
Exhibition Centre, Harrogate

July 16-18
Drives, Motors, Controls Exhibition (0799 26699) — Olympia

July 17-21
In-car Entertainment Show for Trade and Public (01-222 9341)
Novotel, W6

August 18-21
International Craft and Hobby Fair (04252 72711)
Wembley Conference Centre

August 25-28
Scottish Autumn Gift Fair (0764 4204)
Anderston Centre, Glasgow

August 28-30
International Software Engineering Exhibition and Conference (01-240 1871)
Imperial College, London

August 29-September 1
International Home/Show Video and Television—VIDTEL (021-780 4171) — NEC, Birmingham

September 1-4
International Menswear Fair—MAB (0727 63213) — Earls Court

OVERSEAS TRADE FAIRS

June 18-22
International Exhibition of Machinery and Materials for Packaging—ASIAPACK (01-683 1158) — Singapore

June 22-28
International Chemical Fair (01-378 7778) — Bratislava

June 26-28
Info/Hong Kong Exhibition (01-891 5051) — Hong Kong

June 29-July 1
European Fishing Tackle Trade Exhibition (01-681 1242)
Copenhagen

July 15-20
Total Energy Exhibition (01-968 4567) — Guangzhou

July 17-25
International Cultivation, Harvesting and Packaging in Viticulture, Horticulture and Veg Growing Exhibition (0869 252131)
Kishinev

August 16-18
International Men's Fashion Week and International Jeans Fair (01-930 7251) — Cologne

August 27-29
Finnish Fashion Fair (01-486 1951) — Helsinki

September 1-7
International Autumn Fair (01-493 3111) — Leipzig

BUSINESS CONFERENCES

June 17-18
Economist Conference Unit: Multinational corporations (01-839 7000) — Park Lane Hotel, W1

June 18
B. J. O'Connor International: Japanese materials management (0932 51334)
Holiday Inn, Heathrow

June 18-19
FT Conference: World Electronics—Global Market Approach (01-621 1355)
Hotel Inter Continental, W1

June 19-20
Offshore Conferences and Exhibition: Offshore tubular joints 1985 (01-549 5831)
Heathrow Penta Hotel

June 19
Business Research International: Interest rate options (01-637 4383) — Park Lane Hotel, W1

June 24-25
CommEd: Telecommunications—the European Future (01-733 3456) — Dorchester Hotel, W1

June 26
Financial and Business Exhibitions: Strategies for innovation (01-493 8000) — Tara Hotel, W8

June 28
The Institute for Fiscal Studies: Corporation tax (01-636 3784)
St. Ermins Hotel, SW1
ESC: The Business Expansion Scheme—what the professional adviser must know (0572 822711)
Inn on the Park, W1

July 1
The Institute for Fiscal Studies: The implications of the Fowler review of the social security system (01-636 3784)
Regent Palace Hotel, W1

July 2
Royal Institute of International Affairs: European Initiatives in Information Technology (01-930 2233) — Chatham House

July 3
London Chamber of Commerce and Industry: "Venezuela—an oil economy. Prospects for British suppliers" (01-248 4444)
69 Cannon Street, EC4

July 3-4
International Advertising Association (UK Chapter): Pan European Conference (01-546 4809)
Grosvenor House, W1

July 4-5
Longman Seminars: Copyright—new technologies and new opportunities (01-404 4756)
Barbican Centre

July 5
The Institute for Fiscal Studies: Exchange losses (01-636 3784)
Park Court Hotel, W2

July 8-10
Frost and Sullivan: Development of structured software (01-486 0334) Cumberland Hotel, London

July 9
The Industrial Society: Employing casual, part-time and temporary workers—implications of recent case law (01-839 4300)
London

July 9-10
FT Conference: Oil industry developments (01-621 1355)
London

July 12
FT Conference: The City Revolution (01-621 1355)
Hotel Inter Continental, W1

July 20
Commonwealth Institute: The Commonwealth and the Law of the Sea (01-603 4535) — London

July 28-31
Kluwer Conferences: Marketing insurance (01-568 6441)
Cookham, Berks

July 29-30
Metal Bulletin Conferences: Barter 4 — Latin American countertrade (01-330 4311)
Rio Palace Hotel, Rio de Janeiro

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

PARLIAMENTARY DIARY

TODAY

Commons: Debate on a Government motion to approve the White Paper on airports policy. Command 9542.

Lords: Ports (Finance) Bill, Committee. Copyright (*Computer Software*) Amendment Bill, Third Reading. Local Government Bill, Report. Rating (Revaluation Rebates) (Scotland) Bill, Second Reading.

Select Committees: Environment—Subject: Radioactive waste. Witness: Nuclear Industry Radioactive Waste Executive (Room 20, 4.30 pm). Treasury and Civil Service—Subject: Supply Estimate, Class 11, Vote 9 (Budget of the European Communities). Witness: Mr Ian Stewart MP, Economic Secretary to the Treasury (Room 15, 4.30 pm). *Public Accounts—Subject:* Dockyards. Witnesses: Sir Clive Whitmore and Vice Admiral Sir Anthony Tippett, MOD (Room 16, 4.45 pm). J. G. Day, British Shipbuilders (Room 16, 4.15 pm). *Social Services—Subject:* Social security reviews. Witness: Rt Hon Norman Fowler MP, Secretary of State (Room 21, 4.15 pm). Transport—Subject: Marine pilotage. Witnesses: London ship owners; London port harbour masters (Room 17, 4.15). Environment—Subject: Radioactive waste. Witnesses: Natural Environment Research Council, including witnesses on behalf of the British Geological Survey and the Institute of Oceanographic Sciences (Room 20, 4.30 pm). Defence—Subject: Future of the Royal Dockyards. Witnesses: *Fife Regional Council;* Dunfermline District Council (Room 15, 4.50 pm). Unopposed Bills—Nottinghamshire County Council (Superannuation) Bill; Cambridge City Council; Durham City Council (Room 9, 4 pm). Lords Select Committee on Overseas Trade—evidence from Rt Hon Norman Tebbit MP, Trade and Industry *Secretary*. At 10.30 am.

TOMORROW

Commons: Debate on a Government motion on the Green Paper on the reform of social security.

Lords: Local Government Bill, Report. Prohibition of Circumcision Bill, Report.

Select Committees: Trade and Industry—Subject: British Steel Corporation. Witnesses: Sir Robert Haslam, chairman, and other BSC officials (Room 16, 10.30 am). Transport—Subject: Tolled crossings. Witnesses: Greater London Council; Cross-River Consortium (Room 17, 4.15).

WEDNESDAY

Commons: Opposition debate on a motion entitled "Government imposed price increases." Motion on European Community documents on quick frozen foodstuffs.

Lords: Debate on the Government's social security review. Local Government (Access of Information) Bill, Committee.

Select Committees: Scottish Affairs—Subject: Fisheries protection. Witnesses: *Ministry of Defence officials* (Room 19, 10.30 am). Welsh Affairs—Subject: Tourism in Wales. Witnesses: Association of British Travel Agents; Mr John Brown, John Brown Tourism Services. (Room 18, 10.30 am). Energy—Subject: Energy efficiency. Witnesses: The Secretary of State's five marketing advisers on energy efficiency; Council *for the Protection of Rural England.* (Room 8, 11 am). Public Accounts—Subject: Warship building policy. Witnesses: Mr P. K. Levene, MOD; Mr

THURSDAY

Commons: Debate on a government motion on the White Paper on developments in the European Community, July to December 1984; on the report of the ad hoc committee on constitutional affairs, and on Community documents 11911/1/81 (on a conciliation procedure between the European Parliament, Council and Commission); on 10350/82 (on stronger action in the cultural sector); and on 8667/82 and 4469/85 on controls and formalities at Community borders.

Lords: Local Government Bill, report. Hospital Complaints Procedure Bill, Third Reading. Road Traffic (Production of Documents) Bill, Committee. Hill Farming Bill, Committee. Further Education Bill, Third Reading.

Select Committee: Treasury and Civil *Service Sub-committee—Subject:* The financial and economical consequences of UK membership of the European Communities: The European Monetary System. Witnesses: Rt Hon Roy Jenkins MP; HM Treasury officials (Room 8, 3.15 pm).

FRIDAY

Commons: Debate on small firms arising on a motion for the adjournment of the House.

Lords: Sonia Ann Billington and Norbury Billington (*Marriage Enabling*) Bill, Second Reading. Sexual Offences Bill, Committee. Wildlife and Countryside (Amendment) Bill, Report.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd.	62.5	66.5	−0.7	3.42
Accum Units	92.5	98.4	−1.0	3.42
Pearl Inc.	86.7	92.2	−1.1	5.01
Pearl Unit Tst.	90.6	96.4xd	−1.0	4.15
(Accum. Units)	153.2	163.0	−1.7	4.15

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	177.1	190.1	−4.1	1.49
Income	133.9	142.9	−1.2	5.65
Worldwide Recovery	102.5	110.0	−1.3	2.10
American Growth	56.6	60.8	−1.0	0.65
Intl. Emerging Cos.	58.2	62.5	−0.8	0.77
Far East Growth Fd.	47.2	50.6	−0.3	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	102.3	109.4	−1.5	0.97
Prolific Extra Inc.	60.9	64.8xd	−0.3	5.93
Prolific Gilt Cap.	79.3	82.5xd	+0.2	9.33
Prolific High Inc.	126.5	134.6xd	−2.1	5.36
Prolific Intl.	83.3	89.2	−1.5	1.63
Prolific N. Amer.	117.0	125.4	−2.5	1.52
Prolific Spec. Sits.	141.3	150.3xd	−3.0	1.50
Prolific Technology	105.6	113.1xd	−2.7	0.86

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	48.9	51.8	−0.6	0.19
Worldwide	47.8	50.7	−0.5	1.63
European Trust	47.3	50.1	−0.6	0.95
North American	52.3	55.4	−1.0	1.10
UK Equity	48.1	51.0	−0.4	3.12

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-59, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Holborn Equity Tst.	314.6	334.6	−3.6	3.79
Holborn Gilt Tst.	148.3	155.9	+0.5	9.05
Holborn High Inc.	52.6	64.9xd	−0.3	7.79
Holborn Intl.	55.3	58.8	−1.2	0.61
Holborn UK Growth	62.2	66.1	−0.7	3.12

Quilter Management Co. Ltd.
31-45 Gresham Street, EC2. 01-600 4177

Quadrant Gen. Fd.	319.5	333.6	−10.9	3.54
Quadrant Income	179.5	189.0	−3.1	6.32
Quadrant Intl. Fund	306.4	322.4xd	—	1.51
Quadrant Recovery	193.9	204.2	−7.1	2.82

Reed Stenhouse Inv Services Ltd
145 Borough High St, Ldn SE1 1NV 01-628 6011

Wellington Inc.	48.6	51.7	—	6.00
Wellington Growth	100.2	106.6	[illegible]	2.00

INSURANCE, OVERSEAS & MONEY FUNDS

Scottish Equitable Life Assce. Soc.
31, St Andrew Sq, Edinburgh. 031 556 9101

Mixed	212.0	223.2	-0.8	—
Equity	234.8	246.2	-2.1	—
Property	119.9	126.3	-0.1	—
Fixed Interest	127.9	134.7	-0.5	—
International	222.3	234.1	-1.4	—
Index Linked	109.3	115.1	-0.1	—
Cash	120.48	126.82	+0.04	—
Edinburgh Inv.	111.3	117.2	-0.5	—
Edinburgh American	112.2	118.2		—
Baillie Gifford Japan	100.4	105.7		—

Scottish Life Investments
19 St Andrew Square, Edinburgh. 031-225 2211

Property	104.0	110.4	+0.1	—
UK Equity	121.2	127.6	-1.4	—
American	132.0	139.7	-2.9	—
Pacific	100.4	105.7	-2.0	—
European	117.9	124.2	-1.3	—
International	115.0	121.2	-1.9	—
Fixed Interest	101.2	106.7	+0.2	—
Index Linked	101.6	106.8		—
Deposit	102.9	108.2		—
Managed	110.9	116.9	-1.0	—
Pens. Property	108.5	114.3		—
Pens. UK Equity	127.7	134.5	-1.6	—
Pens. American	140.7	148.2	-3.0	—
Pens. Pacific	102.5	108.0	-1.9	—
Pens. European	123.1	129.7	-1.6	—
Pens. International	120.5	127.0	-2.1	—
Pens. Fixed Int	104.6	110.0	+0.2	—
Pens. Index Linked	103.9	109.5		—
Pens. Deposit	108.1	113.9	+0.1	—
Pens. Managed	115.3	121.5	-1.1	—

Scottish Mutual Assurance Society
109 St Vincent St, Glasgow. 041-248 6321

Flex End April 20	619.4	638.6		—
Pen Mngd April 20	421.8	434.8		—

Scottish Mutual Investments
109 St Vincent St., Glasgow. 041-248 6321

Safety Fund	95.2	100.3	-0.5	—
Growth Fund	94.8	99.8	-0.5	—
Opportunity Fund	93.8	98.8	-1.2	—
Cash Fund	95.3	100.4	+0.1	—
European Fund	96.5	101.3	-0.8	—
Gilts & Fxd Int Fund	96.3	101.4	+0.3	—
Index-Linked Fund	95.9	101.0	-0.1	—
International Fund	94.6	99.6	-0.4	—
North American Fund	92.8	97.7	-1.2	—
Pacific Fund	94.3	99.3	+0.1	—
Property Fund	95.3	100.4	+0.1	—
UK Equity Fund	93.1	98.0	-1.2	—
UK Smaller Cos. Fund	94.7	99.7	-1.6	—

Scottish Provident Institution
6 St Andrews Sq, Edinburgh. 031-556 9181

Sun Life Unit Assurance Ltd.
St James Barton, Bristol BS99 7SL. 0272 426911

Managed Acc.	317.4	334.2	-1.0	—
Property Acc.	196.7	207.1		—
Equity Acc.	439.2	462.4	-2.3	—
Fixed Interest Acc.	182.8	192.6	+0.4	—
Index-Linked Acc.	104.5	110.1	-0.1	—
Cash Acc.	166.0	174.8	+0.1	—
American Equity Acc.	178.5	187.9	-0.8	—
U.S. Bond Acc.	110.5	116.4	-1.0	—
Japan Acc.	113.3	119.3	+0.3	—
Pacific Acc.	103.0	109.3	-1.3	—
Far Eastern Acc.	239.1	251.7	-1.6	—
International Acc.	226.0	237.9	-1.2	—
U.S. Dollar Acc.	103.9	109.4	-0.6	—
Yen Acc.	97.2	102.4	-0.2	—
European Currency Acc.	95.5	100.6	+0.1	—
Distribution	142.4	144.9	-0.6	10.08

Sun Life Pensions Management Ltd
Funds for individual pension contracts

Pens. Managed Acc.	313.4	329.9	-0.7	—
Pens. Property Acc.	159.9	168.4		—
Pens. Equity Acc.	397.8	417.9	-2.1	—
Pens. F Interest Acc.	172.7	181.8	+0.4	—
Pens. Inc Lnkd Acc.	106.4	112.0	-0.2	—
Pens. Cash Acc.	167.0	176.7	+0.2	—
Pens. Amer. Equity Acc.	148.7	156.6	-2.6	—
Pens. U.S. Bonds Acc.	131.1	138.0	-1.9	—
Pens. Japan Acc.	118.8	125.1	+0.7	—
Pens. Pacific Acc.	125.1	131.7	-1.1	—
Pens. Far Eastern Acc.	356.2	375.0	-2.7	—
Pens. Internat. Acc.	292.2	307.6	+1.6	—
Pens. U.S. Dollar Acc.	109.F	115.5	-0.9	—
Pens. Yen Acc.	101.1	106.5	-0.3	—
Pens. Euro. Curr. Acc.	95.0	100.1	+0.2	—

Swiss Life Pensions Ltd
99-101 London Rd, Sevenoaks. 0732-450161

Equity	£179.43	184.92		—
Fixed Int.	£129.16	129.80		—
Index Linked	£109.79	110.34		—
Property	£145.45	149.94		—
Cash	£110.47	118.47		—
Mixed	£165.11	170.21		—
International	£129.72	192.70		—

Next sub day June 12

TSB Life Ltd
PO Box 3, Keens Hse, Andover SP10 1PG. 0264 62188

Managed Fund	120.2	126.6	-0.3	—
Property Fund	108.0	113.8		—
Fixed Int Fund	113.2	118.2	+0.2	—
Money Fund	107.6	113.3		—
Equity Fund	144.3	152.0	-0.6	—

TSB Pensions Ltd.

OFFSHORE AND OVERSEAS

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$12.55		

Inv. Adv. M & G Inv. Mngt., Ltd. London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$9.11		
Dynamic Grth Fd	$8.25		

Money Market Trust Funds

	Gross	Net	Gr Equiv LAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.3			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd.	12.44	9.30	13.75	6mth
7-day Fnd.	12.88	9.63	14.27	6mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE 01-236 1425				
Call Fnd	12.14	9.07	13.35	6-Mth
7-day Fund	12.37	9.25	13.64	6-Mth
Dollar	6.37			6-Mth
Money Mngt Acct	13.80	9.97	13.43	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq, Edinburgh, EH2 4DF 031-225 8484				
Full Service Chq Acc.	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	12.375	9.25	13.87	Qtr
Mth. Int Chq.	12.25	9.16	13.90	Mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	12.85	9.00	13.40	Mth
Barclays Prime Account PO Box 125, Northampton 0604 252891				
High Int Cheque.	12.00	8.875	13.29	Qtr
Britannia Investment Services Ltd. 29 Finsbury Circus, EC2M 5QL 01-588 2777				
Cater Allen	12.25	9.16	13.6444	Mth
Charterhouse Japhet plc 1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	12.25	9.16	13.09	Mth
U.S. Dollar	7.00	7.00	7.23	Mth
German Marks	4.75	4.75	4.85	Mth
Swiss Francs	1.50	1.50	1.51	Mth
Japanese Yen	5.00	5.00	5.12	Mth
Citibank Savings St Martins Hse, Hammersmith Grove 01-748 9251				
Cheque Plus		10.00	14.83	Qtr

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

LEISURE—Continued

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

OIL AND GAS

MINES—Continued

Finance

Australians

Tins

Miscellaneous

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

Finance, Land, etc

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

INSURANCES

LEISURE

PROPERTY

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ■ "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- ♦ Forecast dividend; cover on earnings updated by latest interim statement.
- † Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	100	...	Arnott	175	.....
Craig & Rose £1	900	...	CPI Hldgs	58	
Finlay Pkg. 5p	61	..	Carroll Inds.	124	.
Higsons Brew	230xd	+2	Dublin Gas	53	.
Holt (Jos) 25p	740	...	Hall (R & H)	58	+1
IoM Stm. £1	80	−3	Helton Hldgs.	16	.
IRISH			Irish Ropes	45	....
Fund 11¼% 1988	£97¾	+¼	Jacob (W.& R.)	80	...
Nat. 9¾% 84/89	£91¼	....	Unidare	85	....
Fin. 13% 97/02	£101¼	...			

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	16	GKN	17	Turner Newall	10
BAT	52	Hanson Tst	17½	Unilever	85
BOC Grp	25	Hawker Sidd	30	Vickers	19
BSR	16	Hse of Fraser	30	Property	
BTR	52	ICI	60	Brit Land	12
Babcock	14	'Imps'	10	Cap Counties	18
Barclays	48	Jaguar	28	Land Secs	25
Beecham	32	Ladbroke	24	MEPC	28
Blue Circle	45	Legal & Gen	50	Peachey	22
Boots	15	Lex Service	28	Samuel Props	14
Bowaters	20	Lloyds Bank	45	Oils	
Brit Aerospace	33	Lucas Inds	25	Brit. Oil & Min	4
Brit. Telecom	11	Marks & Spcr	11	Brit Petroleum	42
Brown (J.)	3	Midland Bk	30	Burmah Oil	18
Burton Ord	39	NEI	8	Charterhall	6
Cadburys	14	Nat West Bk	60	Premier	5
Comm Union	19	P & O Dfd	36	Shell	60
Courtaulds	12½	Plessey	17	Tricentrol	18
Debenhams	17½	Polly Peck	26	Ultramar	19
Distillers	28	Racal Elect	18	Mines	
Dunlop	6	RHM	11	Charter Cons	18
FNFC	6½	Rank Org Ord	32	Cons Gold	44
Gen Accident	45	Reed Intnl	50	Lonrho	14
Gen Electric	17	Sears	8	Rio T Zinc	56
Glaxo	85	TI	20		
Grand Met	25	Tesco	20		
GUS 'A'	60	Thorn EMI	35		
Guardian	60	Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 14

TO THE HOLDERS OF
LPC INTERNATIONAL FINANCE N.V.
8% CONVERTIBLE SUBORDINATED DEBENTURES DUE 1995
NOTICE OF DECLARATION OF DISTRIBUTION TO HOLDERS OF COMMON STOCK

NOTICE IS HEREBY GIVEN by LPC INTERNATIONAL FINANCE N.V. (the "Company"), pursuant to Sections 1104F and 1106 of the Indenture dated as of October 15, 1980 (the "Indenture"), among the Company, Lear Petroleum Corporation, as Guarantor (the "Guarantor"), and Citibank, N.A., as Trustee, under which the above captioned Debentures were issued, that (i) the Guarantor will make a distribution on August 15, 1985 to holders of the Guarantor's Common Stock, $0.10 par value, of Depositary Units ("Units") representing limited partnership interests in Lear Petroleum Partners, L.P. a limited partnership (the "Partnership"), on the basis of one Unit for each 40 shares of the Guarantor's Common Stock held of record at the close of business on June 28, 1985 (the "Record Date"), and (ii) as a result of that distribution, the adjusted conversion rate for each Debenture after the Record Date will be 36.0259 shares for each $1,000 principal amount of Debentures (equivalent to a conversion price of approximately $27.76 per share of Lear Common Stock). The Partnership has filed with the United States Securities and Exchange Commission a Registration Statement covering this distribution, which Registration Statement has become effective. The distribution of the Units does not represent new financing or refunding and is being made by the Guarantor as a security holder of the Partnership. Persons who are not United States citizens are ineligible to be holders of record of the Units and will acquire no rights in the Units other than the right to resell the Units to a United States citizen.

A written Prospectus, as supplemented, meeting the requirements of Section 10 of the United States Securites Act of 1933, as amended, may be obtained from Lear Petroleum Partners, L.P., 950 One Energy Square, 4925 Greenville Avenue, Dallas, Texas 75206, Attention: Mr. H. Monroe Heim, III. Holders of record of the Guarantor's Common Stock on the Record Date will be mailed copies of the Prospectus, as supplemented.

LPC INTERNATIONAL FINANCE N.V.
De Ruyterkade 62
Curacao, Netherlands Antilles

Dated: June 14, 1985

Viking Resources International N.V.
Curaçao, Netherlands Antilles

In the Annual General Meeting of Shareholders held on 14th June, 1985 a cash dividend of US$ 0.92 per ordinary share was declared payable as from 24th June, 1985 on the ordinary shares against delivery of dividend coupon nr. 13 with

Pierson, Heldring & Pierson N.V.
Herengracht 214
Amsterdam

CONTRACTS

£8.3m work for Douglas

Contracts worth over £8.3m have been awarded to **R. M. DOUGLAS CONSTRUCTION.** Work has started on a £1m contract to re-roof a major part of the Coventry works for Jaguar Cars. A 40-week contract worth almost £1.2m is for 10 advanced technology units at the University of Warwick Science Park. At Stockton a 25-week contract is valued at £690,000 for Benson Kayley, to build Securicor parcel units at Gateshead. In South Wales, contracts valued at £670,000 for Rockwool at Pencoed for a factory extension; £318,000 for advanced factory units at Rasseu and Kenfig for the Welsh Development Agency; and £1.25m for the Barry Leisure Centre for South Glamorgan County Council. In London and the South East, over £1.5m contracts have been won including the structural frame of an office block for Marple Ridgway Properties; two research laboratories at Brunel University Science Park for £833,000; and fitting out a DIY store in Reigate for Texas Homecare for £529,000 in a seven-week contract.

R. M. Douglas states that these contracts form only a part of £31.4m construction turnover acquired since March. Clients have refused publicity on the other awards.

*

A £4.6m contract has been awarded to **FAIRCLOUGH SCOTLAND** by Strathclyde Regional Council for the construction of sewerage works at Stevenston in Ayrshire. The works form part of phase two of the Garnock Valley sewer scheme. They will provide screening and grit removal facilities prior to effluent being discharged through twin 1 km-long outfall pipes to the sea. Work, generally in reinforced concrete, includes an inlet pumping station containing four large-diameter screw pumps, an outfall pumping station of the dry-well/wet-well type, coarse and fine screens, detritors, and all associated chambers, channels, pipework and access roads. Completion of the project is planned for early 1987.

*

MYTON has started work on a £234,000 contract awarded by Charles Slanley and Co to refurbish offices in Finsbury Circus, EC2.

£16m projects won by Tarmac Construction

A major refurbishment project is included in contracts, together worth about £16m, awarded to **TARMAC CONSTRUCTION.** The largest, at nearly £2.7m, is for the structural refurbishment and fitting out of the latest phase of the Albert Dock development at Liverpool. Tarmac Cubitts, part of Tarmac Construction, is carrying out the project for Arrowcroft. Work is scheduled for completion in 18 months.

Other Tarmac Cubitts contracts comprise new university buildings at Currie, near Edinburgh, for Heriot-Watt University (£2.2m); refurbishing a cell block at Walton Prison, Liverpool, for the Home Office (£1.5m); and a fire station at Springburn, Glasgow, for Strathclyde Regional Council (£1m).

Tarmac Cubitts projects also include converting a factory into a distribution warehouse at Bromborough, Wirral, for the Co-operative Wholesale Society (£938,000); shop units at Lancaster, for Pengap Securities (Evesham) (£628,000); a supermarket at Crossbands, Oyfed, for Kwiksave Discount Group (£575,000); demolition and rebuilding a shop at Wigan, for Smith's Book Shop (£450,000); a new day centre at Kingsbridge, Devon, for Plymouth Health lending and refurbishing premises at Harrow, Middlesex, for Lloyd's Bank (£341,000). Authority (£389,000); and ex-

Contracts have also been awarded to Tarmac Construction's contract housing organisation. They include improvements and repairs to 105 homes at Wincobank, Sheffield, for Sheffield City Council (£1.2m); modernising 139 homes at Ravenscliffe (£1.1m) and 101 homes at Canterbury Estate (£988,000), both for Bradford City Council; external repairs, alterations and landscaping at flats at St Peter's Estate, Leicester, for Leicester City Council (£432,000); and modernising and repairing 34 homes at Roe Farm, Derby, for Derby City Council (£315,000).

Other Tarmac Construction projects include alterations, extensions and external works to premises at Cambridge, for the Natural Environment Research Council (£1m); and carriageway and footpath improvements in Market Square, Nottingham, for Nottingham City Council (£400,000).

£8m awards for Miller Buckley

MILLER BUCKLEY GROUP has been awarded contracts worth over £8m. In London, Miller Buckley Parnell has won a £2.4m contract for the National Westminster Bank at Acton. Work involves construction of a mezzanine floor for offices and complete refurbishment to an existing building. Structural alterations to the building, together with installation of a lift and fire escape stairs and all services, are included.

Miller Buckley Parnell has also won a £2m plus contract from Brixton Estate for two office buildings. They will form the first phase of an office park development at Regent's Park Road, Finchley. Work has already started on site and completion is due next summer. Miller Buckley Parnell is to start work shortly on the Plaistow police station in Barking Road. The contract, worth nearly £2m, has been awarded by the Metropolitan Police and construction starts early July.

Refurbishment work to a sixth floor restaurant for British Telecom has started at Fleet Buildings, Shoe Lane. Work on the staff restaurant will include catering equipment and refurbishment of kitchen and office areas. Drinks and grille bars will be formed in the lounge area together with a self-service restaurant and tea bar.

A contract has been placed by Bass North for construction of a public house at Billingham. The total floor area is 635 sq metres and completion is due at the end of the year. Lloyd's Bank has placed an order for alterations to provide new premises at Redcar. Work involves fitting out the ground and first floors, and partition walls to provide a general banking hall together with associated offices.

An access road to Salalah village, Abu Dhabi, is to be built by one of **GEORGE WIMPEY'S** associated companies, Al Wimpey Road & Construction (Abu Dhabi) for the Al Ain Municipality on behalf of the Government of Abu Dhabi. Working between June and October, Al Wimpey Roads & Construction will build about 5.5 km (3.4 miles) of two-lane access road and associated parking areas plus a reinforced concrete culvert. Contract value is in excess of £2m.

WILTSHIER CONSTRUCTION, London-based operating company in the John E. Wiltshier Group, has won a tender from the Property Services Agency worth £1.9m. Work will be on the former Post Office Savings Bank building in Blythe Road, Olympia.

*

A £1.5m contract for extending the Runnymede Hotel in Egham has been awarded to **FAIRCLOUGH BUILDING.** Work has started on the 43-week project for Associated Leisure Hotels.

INSURANCE

Continental sets fresh goals as underwriting recovery continues

BY JOHN MOORE, CITY CORRESPONDENT

U.S. INSURERS in London last week were more optimistic about the trends in the insurance underwriting cycle than they have been for some time. Delegates at the Association of Insurance and Financial Analysts annual conference heard that the underwriting recovery was more pronounced than it had been six or nine months ago.

Mr John Mascotte, chairman and chief executive officer of the Continental Corporation, one of the largest insurers in the U.S., said insurance rates were moving "closer to adequacy. They have gone up sharply in some lines."

He reckoned that price increases in commercial lines of insurance were showing 20 per cent rises, excluding workplace compensation insurance, while other classes of business were showing rises of between 50 and 60 per cent.

In the first quarter of its current financial year, ending next March, Continental was still showing the effects of the downturn in the underwriting cycle. Property and casualty insurance operations suffered an adjusted underwriting loss of $87m (£77m), compared with a loss of $82m for the same quarter of 1984.

Catastrophe losses in the first quarter were up $3.2m to $13.2m from $10m for the second period in 1984.

Reinsurance reported a pre-tax operating loss of $9m, compared with a pre-tax loss of $3m. While reinsurance experienced substantial rate increases in the 1985 renewal season, price weakness in 1983 and 1984 reinsurance contracts depressed first quarter earnings.

Mr Mascotte stressed that his group would not be chasing market share while underwriting trends were improving. In April Continental raised $191m of capital through the sale of 5m shares.

Mr Mascotte said this exercise did not mark the start of a new competitive phase. "We are not raising a lot more poker chips so we can get back to the table," he said: "This is a genuine attempt to improve our balance sheet."

The group aims to develop a more sophisticated distribution network through a range of financial groups. It also intends to seek a bigger share of broker-generated business.

The other main objective is to shift away from insurance risks where claims take years to arise in favour of risks with a shorter life.

This means Continental is taking on less liability insurance, asbestosis risks, and other liability business. It is moving towards risks with more contained exposures such as motor and personal insurance.

The group is also seeking to integrate its investment strategy and portfolio operations with the business of underwriting. Underwriting decisions on pricing are taken after making assumptions for the type of return which can be made on the premiums once the funds are invested.

On the reinsurance side, Mr Mascotte feels that there is an improvement which in turn is supporting the price rises on the direct insurance side.

Continental predicts that banks will play a greater role in the marketing of insurance services. But it is concerned that they may advance from a distributory to an underwriting role.

Mr Mascotte believes it will be necessary to ensure that banks do not exert investment leverage on their customers to gain insurance sales. "It is necessary that bank deregulation in the U.S. evolves in such a way as to ensure that banking functions remain separate from insurance underwriting activities, so that the purchase of one does not depend on the other."

Continental would, however, market through banks if this fitted into its strategy. But the banks would have had to have had "properly segmented the market to identify a potentially profitable customer base."

BASE LENDING RATES

A.B.N. Bank	12½%	■ Hill Samuel	§12½%
Allied Irish Bank	12½%	C. Hoare & Co.	12½%
American Express Bk.	12½%	Hongkong & Shanghai	12½%
Henry Ansbacher	12½%	Johnson Matthey Bkrs.	13 %
Amro Bank	12½%	Knowsley & Co. Ltd.	13 %
Associates Cap. Corp.	13 %	Lloyds Bank	12½%
Banco de Bilbao	12½%	Edward Manson & Co.	13½%
Bank Hapoalim	12½%	Meghraj & Sons Ltd.	12½%
BCCI	12½%	Midland Bank	12½%
Bank of Ireland	12½%	■ Morgan Grenfell	12½%
Bank of Cyprus	12½%	Mount-Credit Corp. Ltd.	12½%
Bank of India	12½%	National Bk. of Kuwait	12½%
Bank of Scotland	12½%	National Girobank	12½%
Banque Belge Ltd.	12½%	National Westminster	12½%
Barclays Bank	12½%	Northern Bank Ltd.	12½%
Beneficial Trust Ltd.	13½%	Norwich Gen. Trust	12½%
Brit. Bank of Mid. East	12½%	People's Trust	13½%
■ Brown Shipley	12½%	Provincial Trust Ltd.	13½%
CL Bank Nederland	12½%	R. Raphael & Sons	12½%
Canada Permanent	12½%	P. S. Refson	12½%
Cayzer Ltd.	12½%	Roxburghe Guarantee	13½%
Cedar Holdings	13 %	Royal Bank of Scotland	12½%
■ Charterhouse Japhet	12½%	Royal Trust Co. Canada	12½%
Choulartons**		■ J. Henry Schroder Wagg	12½%
Citibank NA	12½%	Standard Chartered	‖12½%
Citibank Savings	¶12½%	TCB	12½%
Clydesdale Bank	12½%	Trustee Savings Bank	12½%
C. E. Coates & Co. Ltd.	13½%	United Bank of Kuwait	12½%
Comm. Bk. N. East	13 %	United Mizrahi Bank	12½%
Consolidated Credits	12½%	Westpac Banking Corp.	12½%
Co-operative Bank	*12½%	Whiteaway Laidlaw	13 %
The Cyprus Popular Bk.	12½%	Williams & Glyn's	12½%
Dunbar & Co. Ltd.	12½%	Yorkshire Bank	12½%
Duncan Lawrie	12½%		
E. T. Trust	13 %		
Exeter Trust Ltd.	13 %		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12½%		
Robert Fraser & Ptns.	13½%		
Grindlays Bank	‡12½%		
■ Guinness Mahon	12½%		
■ Hambros Bank	12½%		
Heritable & Gen. Trust	12½%		

■ Members of the Accepting Houses Committee.
* 7 day deposits 9½%. 1 month 10¼%. Top Tier—£2,500+ at 3 monthly notice 12½%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 9½% gross.
‖ 21-day deposits over £1,000 10½%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 9¼%.

Company Notices

RENFE
Red Nacional de los Ferrocarriles Españoles

US $ 100,000,000
Floating Rate Notes due 1989

For the six months
June 14, 1985 to December 16, 1985
the Notes will carry an interest rate of 9½% per annum

As a consequence, the coupon pertaining to this interest period will be U.S.$488.19

Listed on the Luxembourg Stock Exchange

The Mitsui Bank, Limited
Brussels Branch
Fiscal Agent

US$100,000,000
SOCIETE NATIONALE DES CHEMINS DE FER FRANCAIS
12¾% Guaranteed Notes due 1992 with detachable warrants to purchase US$100,000,000
12¾% Guaranteed Notes due 1992
NOTICE OF PARTIAL REDEMPTION

NOTICE IS HEREBY GIVEN that pursuant to the fiscal agency agreement dated as of December 13th 1984 between Societe Nationale des Chemins de Fer Francais and Banque Nationale de Paris (Luxembourg) S.A. the following notes in the principal amount of US$11,000,000 have been drawn by lot and are due for redemption at 101 @ on July 17th 1985 at the offices of the paying agents together with accrued interest thereon to said redemption date.

000658-000795	001069-001204	005191-002528	003280-003454
[illegible]	[illegible]	[illegible]	[illegible]

Ford

Following the DIVIDEND DECLARATION by the Company on 11 April 1985, NOTICE is now given that the following DISTRIBUTION will become payable on or after 17 June 1985.

Gross Distribution per Unit	3.00 cents
Less 15% U.S.A. Withholding Tax	0.450 cents
	2.550 cents
Converted at $1.285	=£0.019844358

Claims should be lodged with the DEPOSITARY; National Westminster Bank PLC, Stock Office Services, 20 Old Broad Street, London EC2, on special forms obtainable from that Office.

United Kingdom Banks and Members of The Stock Exchange should mark payment of the dividend in the appropriate square on the back of the certificate.

All other claimants must complete the special form and present this at the above address together with the certificate(s) for marking by the National Westminster Bank PLC. Postal applications cannot be accepted.

11 June 1985

ELECTRICITE DE FRANCE
U.S.$125,000,000
13% GUARANTEED NOTES
1981-1990

We inform the Bondholders that in accordance with the terms and conditions of the Notes, Electricite de France has elected to redeem all of its outstanding Notes on July 10, 1985 at 103%. [illegible]

PIONEER ELECTRONIC CORPORATION

NOTICE IS HEREBY GIVEN to holders of CDRs issued by Caribbean Depositary Co. N.V., Curacao evidencing shares in the above company that "the 39th semi-annual business report" for the six months ended March 31, 1985, of Pioneer Electronic Corporation [illegible]

Amsterdam, June 11, 1985

PIERSON, HELDRING & PIERSON N.V.

CIVIL PARTNERSHIP OF THE OWNERS OF BONDS
5% 1972-1987 of Fr5,000
of "La Compagnie Gervais Danone" Became "BSN"
11 Boulevard des Italiens
Paris (2ème)

The ordinary general meeting of the owners of Bonds "Compagnie Gervais-Danone" Became "BSN" 5% 1972-1987 of Fr5,000 has deliberated validly on 5 June 1985, the bondholders are advised that the second convocation expected for the 24 June 1985 is cancelled.

SELECTED RISK INVESTMENTS S.A.
PAYMENT OF DIVIDEND

NOTICE IS HEREBY GIVEN to Shareholders that following a Resolution passed at the Annual General Meeting of Shareholders held in Luxembourg on 15th May, 1985, a dividend for the year 1984 of US$0.25 per share has been declared.

This dividend will be paid as from 28th June, 1985, against presentation of Coupon No. 21, represented by the talon, at the Company's Paying Agent in the United Kingdom:

S. G. WARBURG & CO. LTD.,
33 King William Street,
London EC4R 9AS,

from whom claim forms may be obtained. United Kingdom Tax will be deducted at the rate of 30 per cent unless claims are accompanied by an affidavit.

SELECTED RISK INVESTMENTS S.A.
17th June, 1985.

JAPANESE GOVERNMENT
5% STERLING LOAN 1983-88

The Bank of Tokyo Ltd., are instructed by the Japanese Government that the COUPONS due 30th June 1985, No. 43 will be paid on and after 1st July 1985.

They should be presented for payment at The Bank of Tokyo Ltd., 20/24 Moorgate, London EC2R 6DH, listed on the forms provided between the hours of 10 a.m. and 2 p.m. They must be left at least five clear days for examination prior to payment.

Coupons cannot be accepted through the post.

THE BANK OF TOKYO LTD.,
LONDON
(Fiscal Agent)

17th June, 1985

Contracts & Tenders

REPUBLIC OF DJIBOUTI
Ministry of Agriculture and Rural Development
Abattoir and Feed Mill
Invitation for Prequalification

The Government of Djibouti intends to invite tenders from General Contractors for the construction of an abattoir with a capacity of 100 head of cattle and 1,200 sheep and goats per day, and a mill for cattle and poultry feed with a capacity of 10,000 tonnes per year. All capacities are based on one working shift per day.

The project is financed by the Arab Fund for Economic and Social Development. The tender documents will include specifications, bill of quantities and detailed drawings.

The General Contractors shall tender for all supplies including erection, electrical, mechanical and civil works for either the abattoir or the feed mill or both.

Firms interested in being prequalified for the project should forward two copies of their prequalification documents to:

Le Service d'Elevage et des Pêches
BP 257, Djibouti
République de Djibouti

and one copy to the Consultant:

Ramboll & Hannemann A/S
Levsenvenget 8
DK 5200 Odense V
Denmark

and one copy to:

A.F.E.S.D.
The Arab Fund for Economic and Social Development
PO Box 21923 (SAFAT)
Kuwait

The prequalification documents shall be in French with a summary in English and shall include company profile and selected references from similar works executed by the General Contractor as well as by principal [illegible]

The deadline for acceptance of the prequalification documents in Djibouti will be August 1, 1985.

Mr Mohamed Moussa CHEHEM
Chef du Service de l'Elevage et des Pêches

CENTRAL AFRICAN REPUBLIC
Invitation to Prequalify

Contractors interested in being prequalified for the BANGUI M'POKO AIRPORT project, should obtain against payment of 50,000 FCFA to M LE HAUT COMMISSAIRE CHARGE DU PLAN ET DE LA COOPERATION ECONOMIQUE ET FINANCIERE from the address given below the "prequalification form" and submit it, according to the instructions accompanying the form, BEFORE AUGUST 3, 1985. The project basically involves civil works related to the strengthening and resurfacing of the runway (2600m x 45m), taxiway (320m x 22m), and the apron (350m x 90m), and is expected to be partially funded from the loans granted by the Saudi Fund for Development (SFD), the Arab Bank for Economic Development in Africa (BADEA), and the Opec-fund.

LE HAUT COMMISSAIRE AU PLAN ET A LA COOPERATION ECONOMIQUE ET FINANCIERE
B.P. 696 — BANGUI
REP. CENTRAFRICAINE
TLX NO. 5208 RC

WORLD STOCK MARKETS

OVER-THE-COUNTER

Nasdaq national market, closing prices June 14

Continued from Page 29

Stock		Sales (Hnds)	High	Low	Last	Chng
Provin		77	16⅝	16⅜	16½	− ⅛
Pullmn		655	6⅞	6¾	6⅞	
PuritBn	.40	226	23¼	22¼	22¾	− ½
QMSs		857	9¼	6⅞	9	
Quadrx		420	6⅞	6½	6⅞	+ ¼
QuakCs	.38	156	19	9	19	− ½
Quantm		1275	19½	18¾	19¼	
QuestM		125	3⅞	3⅝	3⅝	− ⅛
Quixote		80	10¼	9¾	19	− ¼
Quotrn		1799	19½	10¼	10⅛	
R R						
RAX	.91e	67	8½	8¼	8½	+ ¼

Stock		Sales (Hnds)	High	Low	Last	Chng
Silicon		148	7½	7⅛	7⅛	− ⅜
SiliconS		169	10⅝	10¼	10⅝	
SilicVal		142	12¾	11⅝	12¼	+ ½
Silicnx		65	17¾	17	17¾	
Siltec		784	5⅛	4⅝	5	+ ⅛
Simpln	.60	3	14⅞	14⅝	14⅞	+ ¼
Sipplns		49	14¼	13¾	13¾	− ¼
Sizzler		52	23¼	23¼	23¼	
Skipper	.08	1	10¼	10¼	19¼	
SmithL		551	3¼	3	3¼	+ ⅛
Society	1.84	103	45½	45	45½	
SoctySv		958	18⅝	16½	16	+1¼

Stock		Sales (Hnds)	High	Low	Last	Chng
TrusJo	.40	35	27¼	29½	27¼	+ ½
TBkGa	1	1344	37¾	37½	37⅝	+ ⅛
U U						
USLICs	.60	20	21½	21⅜	21½	
UTL		37	22⅝	22½	22½	
Ultray	.06e	404	6⅞	6¾	6¾	− ⅛
Ungmn		553	11½	10¾	11½	+ ¾
Uniti		51	10¼	9¾	9¾	− ¼

Stock		Sales (Hnds)	High	Low	Last	Chng
Xicor		319	6½	6⅛	6¼	− ⅛
Xidex		1177	12⅞	11⅞	12½	+ ½
YlowFt	1	738	38¼	37⅝	37⅝	− ⅝
ZenLbs		518	42½	40¼	42½	+2½
Ziegler	.48a	400	11¾	11¼	11½	+ ¼
ZionUt	1.24	165	34¼	34	34⅛	− ½
Ziyad		16	4⅝	4⅛	4⅝	+ ⅛
Zondvn	.08j	182	10¼	10	10⅛	
Zymos		430	2¾	2 7-16	2 9-16	+ ⅛
v/Zytrx		193	15-32	⅜	15-32	+3-32

Indices

NEW YORK — DOW JONES

	June 14	June 13	June 12	June 11	June 10	1985 High	1985 Low	Since Compil'n High	Since Compil'n Low
♦Industri'ls	1300.96	1290.10	1306.34	1315.44	1316.44	1327.28 (6/6)	1184.96 (4/1)	1327.26 (6/6/85)	41.22 (2/7/32)
H'me Bnds	80.00	79.88	79.94	79.92	80.24	80.24 (10/6)	72.27 (29/3)	—	—
Transport..	636.94	629.68	649.21	991.33	693.79	659.83 (9/8)	553.03 (4/1)	659.93 (8/8/85)	12.52 (8/7/32)
Utilities.....	164.60	162.91	163.78	163.73	163.67	164.79 (17/6)	146.54 (4/1)	164.73 (17/5/85)	10.9 (28/4/42)
TradingVol 000-†	83,090	187,930	97,700	102,060	87,949	—	—	—	—

♦Day's High 1305.44 (1308.13) low 1288.87 (1285.59)

	June 7	May 31	May 24	year ago (approx)
Industrial div. yield %	4.66	4.65	4.70	4.98

STANDARD AND POOR'S

	June 14	June 13	June 12	June 11	June 10	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
Indust'ls ...	206.44	204.54	907.19	208.89	209.67	211.13 (6/6)	128.24 (4/1)	211.15 (6/6/85)	5.62 (30/6/32)
Comp's'te	187.10	185.53	187.61	189.04	188.51	101.06 (6/6)	166.68 (4/1)	191.06 (6/6/85)	4.40 (1/6/32)

	June 5	May 00	May 22	year ago (approx)
Industrial div. yield	3.71	3.76	3.74	4.18
Industrial P/E ratio	11.70	11.58	11.64	10.98
Long Gov. Bond yield	10.05	10.60	10.76	13.44

N.Y.S.E. ALL COMMON

June 14	June 13	June 10	June 11	1985 High	1985 Low
108.56	107.88	108.87	109.55	110.60 (6/9)	94.60 (4/1)

Rises and Falls	June 14	June 16	June 15
Issues Traded...	2,007	0,018	2,023
Rises	1,043	468	617
Falls	517	1,107	859
Unchanged......	447	437	447
New Highs......	—	(u)	109
New Lows.......	—	(u)	81

TORONTO

	June 14	June 13	June 12	June 11	1985 High	1985 Low
Metals & Minerals	1901.4	1894.9	1906.6	1928.8	8190.07 (13/2)	1998.0 (4/1)
Composite	5712.50	2695.5	5705.1	2717.2	2766.1 (6/6)	2548.5 (8/1)
MONTREAL Portfolio	133.12	132.14	132.78	132.86	135.56 (8/6)	117.00 (4/1)

	June 14	June 13	June 12	June 11	1985 High	1985 Low
AUSTRALIA						
All ord. (1/1/80)	840.2	847.8	854.9	858.8	884.8 (20/5)	715.3 (7/1)
Metals & Minls. (1/1/80)	485.9	488.7	508.8	611.8	585.8 (20/5)	382.3 (7/1)
AUSTRIA						
Credit Aktien (2/1/62)	104.35	108.44	102.75	101.60	104.35 (14/6)	85.21 24/1
BELGIUM						
Brussels SE (1/1/80)	2325.63	2540.27	2338.45	2549.45	2884.11 (5/6)	2850.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	—	191.82	192.54	195.56	195.56 (11/6)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	225.68	226.7	228.4	230.8	235.1 (31/5)	188.8 (8/1)
Ind Tendance (28/12/84)	125.1	127.6	128.9	129.3	130.4 (31/5)	109.1 (8/1)
GERMANY						
FAZ Aktien (31/12/58)	485.25	464.94	470.28	484.88	479.28 (12/6)	382.39 (3/1)
Commerzbank (1/12/53)	1365.6	1370.8	1388.3	1383.2	1398.3 (12/6)	1111.8 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1441.84	1462.31	1502.84	1492.15	1647.98 (17/5)	1228.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	324.29	322.35	323.91	326.84	325.34 (11/6)	228.58 (2/1)
JAPAN**						
Nikkei-Dow (16/5/49)	12686.2	12718.6	12746.8	12758.9	12780.8 (30/5)	11545.2 (6/1)
Tokyo SE New (4/1/68)	1006.79	1008.78	1008.42	1008.85	1008.42 (12/6)	916.96 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	206.5	208.7	211.8	510.8	516.9 (7/6)	185.9 (3/1)
ANP-CBS Indust (1970)	172.4	173.6	175.5	178.8	178.8 (11/6)	147.8 (8/1)
NORWAY						
Oslo SE (4/1/83)	328.46	335.27	338.61	340.02	345.37 (3/6)	288.18 (2/1)
SINGAPORE						
Straits Times (1966)	778.84	784.85	781.38	737.57	852.55 (7/3)	784.38 (15/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	982.3	988.3	988.8	1140.8 (15/4)	858.1 (11/5)
JSE Indust (28/9/78)	—	980.2	952.8	960.8	973.6 (24/5)	767.1 7/5
SPAIN						
Madrid SE (28/12/84)	108.58	108.18	109.26	108.88	117.41 (4/2)	101.48 (2/1)
SWEDEN						
Jacobson & P (1/1/58)	1324.17	1338.76	1345.48	1361.14	1488.98 (11/2)	1324.7 (14/6)
SWITZERLAND						
SwissBank Cpn. (31/12/58)	482.7	485.7	437.8	438.4	438.4 (7/6)	386.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	205.8	511.8	512.8	214.5 (7/6)	184.8 (4/1)

** Saturday June 9: Japan Nikkei-Dow (c). TSE (c).

Base values of all indices are 100 except JSE Gold—255.7. JSE Industrial—264.3, and Australia. All Ordinary and Metals—500. NYSE All Common—50: Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities. 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
IBM	1,751,500	121¼	+2½
Sperry	1,750,800	55⅞	−1
Burroughs	1,201,800	55⅝	−1
ATT	1,174,800	23⅝	+ ⅛
Am Express ...	1,088,400	47⅞	+1⅛
Lilco	983,800	8¾	+ ½
Adv. Micro ...	982,700	24	− ⅞
Pac. Gas El. ..	865,500	19⅝	+ ¼
Hewlt-Pack. ...	919,800	33⅞	+ ⅝
Fannie Mae ...	861,800	20	+1¼

CANADA

TORONTO

Closing prices June 14

MONTREAL

Closing prices June 14

AUSTRIA

1985 High	1985 Low	June 14	Price Sch
375	225	Creditanstalt Pfd..	375
955	630	Goesser..	520
1,920	400	Interunfall	1,920
367	229	Laenderbank	397
660	935	Perlmooser ..	660
220	155	Steyr-Daimler...	170
620	245	Veitscher Mag .	611

DENMARK

1985 High	1985 Low	June 14	Price Knr. %
519	257	Andelsbanken	294
645	620	Baltic Skand	570
333	239	CopHandelsbank	278
575	460	D. Sukkerfab	475
322	260	Danske Bank	308
1,260	1,985	De Danske Luft..	1,103
245	129	East Asiatic..	218
1,000	770	Forenede Brygg.	890
153	88	Forenede Damp.	143
443	352	GNT Hldg . . .	400
530	340	I.S.S.B.	420
655	464	Jyske Bank	645
1,993	1,515	Novo Ind	1,650
292	223	Privatbanken ..	274
373	286	Provinsbanken	334
258	217	Smidth F. .	249
1,150	980	Sophus Berend..	1,040
497	395	Superfos .	413

FRANCE

1985 High	1985 Low	June 14	Price Frs.
1,775	1,590	Emprunt 4½% 1973	1,620
8,829.9	7,355	Emprunt 7% 1973	8,278
300	235.9	Accor	265
680	546	Air Liquide	668
905	499	BIC	550

GERMANY

ITALY

BELGIUM/LUXEMBOURG

SWITZERLAND

NETHERLANDS

SWEDEN

SPAIN

JAPAN

NORWAY

AUSTRALIA

HONG KONG

SOUTH AFRICA

1985 High	1985 Low	June 14	Price Rand
5.0	3.9	Highveld Steel .	4.50
14.35	9.77	Nedbank	14.2
15.65	12.75	OK Bazaars . .	15.15
2.55	1	Protea Hlgs.. . .	2.35
39.25	29	Rembrandt	38.0
18.25	14.9	Rust Plat	15.4
16.90	11.75	Safren	16.73
10.25	6.1	Sage Hldgs	10
8.30	3.8	SA Brews .	8
27.26	19	Smith A.C. .	26.50
7.3	5.4	Tongaat Huletts.	6.7
5.85	1.15	Unisec . ..	6.2

SINGAPORE

1985 High	1985 Low	June 14	Price $
1.86	1.5	Boustead Hldgs.	1.60
2.78	2.42	Cold Storage .	2.47
6.4	4.98	DBS .	5.95
6.5	4.7	Genting..	6.05
0.59	1.88	Haw Par. Bros	2.10
5.32	2.87	Hong Leong Fin.	2.05
2.74	2.55	Inchcape Bhd.	2.56
1.0	1.41	Keppel Shipyard	1.58
6.45	5.5	Malay Banking .	5.7
2.6	2.2	Malay Utd. Ind. .	2.56
1.05	0.95	Multi purpose . .	0.97
9.55	9.5	OCBC ..	0.0
4.36	5.12	OUB.. .	3.12
1.78	1.39	Public Bank. . .	1.58
2.16	1.65	Sime Darby..	1.94
6.85	5.7	Singapore Press	5.0
4.74	4.22	Straits Trading	4.38
2.95	2.65	Tate Lee Bk. .	2.7
4.66	4.06	UOB..	4.02

NOTES:—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

June 14

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	18	AAR	.48	2.6	14	58	18½	18⅜	18⅛	−⅛
18½	9⅜	AGS			12	73	14⅜	14	14⅛	−¼
16⅝	8⅝	AMCA				10	10¾	10⅝	10⅝	
31⅛	13¾	AMF	.50	2.5	60	2973	20¾	19⅝	19¾	−½
51¾	50	AMF pf4.91e		8.8		818	51½	50¾	51	
40⅛	24¼	AMR			10	4821	43⅞	43⅛	43⅝	+⅜
22⅞	18⅝	AMR pf2.18		8.8		28	22	21⅞	22	−⅛
14¼	7⅛	APL				2	8⅞	8⅞	8⅞	
62⅝	44⅜	ASA		34.0		580	50	49⅝	50	+¾
27	13	AVX	.32	2.5	10	555	13¼	d12⅝	13	−¼
26¼	18	AZP	2.72	10.	8	575	26¼	26	26¼	+¼
57¼	36¾	AbtLab	1.40	2.5	18	4074	55¼	54⅜	55⅛	+⅞
25⅞	17⅝	AccoWd	.50	2.2	17	111	22¾	22½	22¾	+⅛
24¾	12½	AcmeC	.40	2.7		124	15⅛	14¾	14¾	−⅛
17½	15	AdaEx	1.92e	11.		59	17⅛	17	17⅛	+⅛
20	11⅞	AdmMl	.32	2.1	8	16	15⅜	15¼	15⅜	
18½	8⅝	AdvSys	.53t	4.9	17	34	10¾	10½	10¾	+¼
41⅛	24⅛	AMD			18	9809	24¾	d23¼	24⅛	−¾
12¾	6⅞	Advest	.12	1.4		49	8⅞	8⅝	8⅞	+⅛
14⅝	8	Aerflex			19	160	12¾	12⅜	12⅝	
47	27¼	AetnLf	2.64	5.8	33	1685	45¼	44¾	45¼	+⅝
57⅜	52⅜	AetL pf5.79e		11.		180	54⅞	54½	54¾	+¼
37⅜	17⅞	Ahmns	1.20	3.3	15	7850	38	34⅜	38	+1¾
3⅜	2½	Aileen				50	2⅞	2⅞	2⅞	−⅛
54	38⅝	AirPrd	1.20	2.3	12	220	53	52⅝	52⅞	+¼

Continued on Page 29

NYSE COMPOSITE CLOSING PRICES

Continued from Page 28

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
71½	48⅛	RohmH 2		3.2	18	127	62⅞	61	62⅛	+⅞
55½	32⅞	Rohrin			6	130	53⅝	53⅛	53⅛	−⅛
25⅝	10⅞	RolnCm.40		1.9	35	137	25	24¾	24⅞	
29⅝	9¼	RollnE s.07e		.3	29	422	26⅛	24¾	26⅛	+1⅜
13½	6⅞	Rollins .46		4.3	18	144	10⅝	10⅜	10⅝	+¼
4½	2	Ronson				31	2⅛	2	2	
19	12¾	Roper .64		4.4	18	65	14½	14	14⅛	+⅜
35⅛	24	Rorer 1.12		3.3	18	448	34⅝	33¾	24	−⅝
13	6¼	Rowan .19		1.4	45	982	6½	6¼	6¼	+⅛
88⅛	41¼	RoylD 3.07e		5.5		2368	56⅛	54⅞	56	+1⅞
22	13¼	Roylnt s			18	807	14½	14⅛	14⅝	+½
51⅝	35⅛	Rubrmd84		1.7	16	183	50	49¾	49¾	
26	14¾	RussBr			12	874	20⅝	20	20⅝	+⅛
19⅝	15⅝	RusTog .76		4.1	8	22	18½	18¼	18⅝	
28½	17⅞	RyanH 1		3.7	13	38	27⅜	27	27	−¼
28½	18⅝	Ryder s .60		2.2	6	775	28¾	26½	26¾	+⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE CLOSING PRICES

June 14

OVER-THE-COUNTER

Nasdaq national market, closing prices June 14

Continued on Page 27

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
Sept	92.24	92.29	91.93	91.92
Dec	91.74	91.76	91.49	91.42
March	91.30	91.34	91.06	90.99
June	90.92	90.93	90.70	90.62
Sept	90.59	90.37	90.36	90.31

Est. Volume 5,275 (8,003)
Previous day's open it. 16,636 (16,908)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev
Sept	88.40	88.40	88.27	88.29
Dec	88.89	88.89	88.80	88.79
March	89.04	89.00	88.98	88.97
June	89.07	—	—	89.00

Est. Volume 1,840 (1,620)
Previous day's open it. 5,885 (5,740)

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev
June	106-19	106-20	106-00	106-06
Sept	115-18	110-20	110-03	110-04
Dec	110-28	—	—	110.04
March	111-02	—	—	110-20

Est. Volume 2,001 (2,369)
Previous day's open int. 3,187 (3,381)
Basis quote (clean cash price of 13¼% Treasury 2003 less equivalent price of near futures contract) 27 to 17 (32nds).

STERLING £25,000 $ per

	Close	High	Low	Prev
Sept	1.2670	1.2720	1.2637	1.2512
Dec	1.2545	—	—	1.2397
March	1.2465	—	—	1.2320

Est. Volume 110 (408)
Previous day's open int. 4,187 (3,982)

DEUTSCHE MARKS DM 125,000
$ per DM

	Close	High	Low	Prev
Sept	0.3286	0.3300	0.3252	0.3246
Dec	0.3306	—	—	0.3265

Est. Volume 44 (20)

SWISS FRANCS SwFrs 125,000
$ per SwFr

	Close	High	Low	Prev
Sept	0.3905	—	—	0.3855

Est. Volume 162 (763)
Previous day's open int. 4,886 (158)

JAPANESE YEN Y12.5m $ per Y100

	Close	High	Low	Prev
Sept	0.4038	—	—	0.4016

Est. Volume Nil (Nil)
Previous day's open int. 257 (257)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev
June	128.10	128.15	127.50	128.75
Sept	128.60	128.60	128.00	129.05

Est. Volume 561 (767)
Previous day's open int. 1,961 (1,768)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	79-04	78-25	78.14	78.-08
Sept	78-02	78-16	77-07	77-06
Dec	77-02	—	—	76-06

Est. volume 2,511 (3,874)
Previous day's open int. 2,417 (2,312)

CHICAGO

U.S. TREASURY BONDS (CBT)
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	79-11	79-20	78-22	78-00
Sept	78-09	78-17	77-15	76-30
Dec	77-08	77-16	76-18	76-30
March	76-10	76-16	75-18	75-00
June	75-14	75-18	74-27	74-05
Sept	74-20	74-23	74-00	73-11
Dec	73-28	74-02	73-12	72-19
March	73-05	73-07	73-05	71-28
June	72-10	0	0	71-07
Sept	0	0	0	0
Dec	71-08	0	0	70-00

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev
Sept	93.17	93.19	92.96	92.84
Dec	92.80	92.82	92.58	92.47
March	92.45	92.46	92.24	92.11
June	92.12	92.12	91.87	91.79
Sept	91.86	91.88	91.77	91.53
Dec	91.62	91.62	91.57	91.25
March	91.40	91.40	0	90.09
June	91.20	91.20	0	90.56

CERT. DEPOSIT (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	92.74	91.75	92.67	92.55
Sept	92.59	92.59	92.30	92.22
Dec	92.09	92.10	91.86	91.72
March	91.64	91.65	—	91.24

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev
June	92.45	92.48	92.31	92.30
Sept	92.26	92.28	91.98	91.98
Dec	91.76	91.77	91.48	91.37
March	91.32	91.33	91.03	90.92
June	90.95	90.95	90.61	90.54
Sept	90.64	90.62	90.33	90.21
Dec	90.34	90.33	90.28	89.09
March	90.06	90.04	90.01	89.91

STERLING (IMM) $s per £

	Close	High	Low	Prev
June	1.2825	1.2835	1.2740	1.2650
Sept	1.2680	1.2680	1.2610	1.2515
Dec	1.2570	1.2570	1.2480	1.2410
March	—	—	—	1.2250
June	1.2420	12.500	—	1.2265

GNMA (CBT)
8% $100,000 32nds of 100%

	Close	High	Low	Prev
June	76-23	76-24	76-18	75-22
Sept	76-03	76-08	75-22	75-03
Dec	75-12	75-16	75-06	74-13
March	—	—	—	—
June	74-11	74-11	73-31	73-12
Sept	73-31	—	—	73-00

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 14	change		June 14	change
LONDON			**NEW YORK**		
Base rates	12½	Unch'd	Prime rates	10	Unch'd
7 day Interbank	12½	—1/16	Federal funds	7 7/16	—1/16
3mth Interbank	12 7/16	—1/16	3 Mth. Treasury Bills	6.71	—0.41
Treasury Bill Tender	11.8224	—0.0283	6 Mth. Treasury Bills	6.86	—0.36
Band 1 Bills	12⅜	Unch'd	3 Mth. C D	7.50	+0.20
Band 2 Bills	12¼	Unch'd	**FRANKFURT**		
Band 3 Bills	12⅛	Unch'd	Lombard	6.0	Unch'd
Band 4 Bills	12	Unch'd	One Mth. Interbank	6.55	Unch'd
3 Mth. Treasury Bills	11⅞	Unch'd	Three month	6.625	Unch'd
1 Mth. Bank Bills	12¼	Unch'd	**PARIS**		
3 Mth. Bank Bills	11 31/32	—1/32	Intervention Rate	10⅛	Unch'd
TOKYO			One Mth. Interbank	10 3/16	Unch'd
One month Bills	6.21875	—0.0625	Three month	10 7/16	Unch'd
Three month Bills	6.28125	Unch'd	**MILAN**		
BRUSSELS			One month	14 11/16	—⅛
One month	8⅞	Unch'd	Three month	15 7/16	—⅛
Three month	8⅞	—⅛	**DUBLIN**		
AMSTERDAM			One month	12¾	+⅛
One month	6 11/16	—1/16	Three month	12⅛	+⅛
Three month	6 11/16	—⅛			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

FOREIGN EXCHANGES

All eyes on this week's GNP

BY JONAS CROSLAND

The dollar's mysterious affair with a whole range of U.S. economic statistics continued last week to the point where a case could be made to push the dollar in either direction. This is probably why on balance, the U.S. unit took the third option and stayed at roughly the same level for much of the time as a week before. Discounting Friday's late dip on rumours concerning President Reagan's health, and hopes of a cut in the discount rate, the dollar spent most of the week trading between DM 3.08 and DM 3.10.

The absence of any clear trend during the early part of the week had a two-fold effect on trading. First, traders started to look ahead to Thursday's U.S. retail sales figures, a notoriously unreliable figure at the best of times. Second, and to help pass the time, attention switched to the daily gyrations in short-term Federal funds rates. This vain attempt to establish some idea on how the Federal authorities are thinking only succeeded in clouding the issue still more.

Ultimately it was conceded that much of the interest shown in economic statistics released at the end of the week was really something of a sideshow, underlined by the relatively low trading volumes recorded. All eyes have now been sharply focused on to this Thursday's U.S. second quarter flash estimate of GNP.

There has been much said by various U.S. officials on the prospects of an economic upturn in the second half of this year. What is likely to interest the market most at the moment however is whether current interest rate levels and the Fed's monetary stance, as far as it is known, are compatible with what many predict as a more modest rate of economic growth.

STERLING INDEX

	June 14	Previous
8.30 am	79.5	79.3
9.00 am	79.4	79.3
10.00 am	79.5	79.3
11.00 am	79.6	79.3
Noon	80.0	79.4
1.00 pm	79.7	79.3
2.00 pm	79.8	79.4
3.00 pm	79.7	79.4
4.00 pm	79.8	79.5

£ IN NEW YORK

	June 14	Prev. close
£ Spot	$1.2805-1.2815	$1.2800-1.2870
1 month	0.51-0.48 pm	0.51-0.50 pm
3 months	1.43-1.40 pm	1.45-1.43 pm
12 months	0.07-3.90 pm	3.95-3.85 pm

Forward premiums and discounts apply to the U.S. dollar

POUND SPOT—FORWARD AGAINST POUND

June 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.2640-1.2840	1.2805-1.2812	0.51-0.48c pm	4.64	1.47-1.42pm	4.51
Canada	1.7337-1.7547	1.7516-1.7545	0.41-0.32c pm	2.50	1.22-1.08pm	2.62
Nethlnd.	4.38½-4.42½	4.40½-4.41½	2¼-1⅞c pm	5.44	6½-6pm	2.56
Belgium	78.76-79.16	78.85-78.95	27-21c pm	3.65	75-65pm	3.55
Denmark	14.01½-14.05¾	14.05¾-14.06¾	3½-2¾ore pm	2.24	8½-7¼pm	2.22
Ireland	1.2488-1.2516	1.2484-1.2494	0.08p pm-0.09dis	−0.05	0.34pm-.09d	−0.40
W. Ger.	3.90¼-3.93	3.90¾-3.91¾	2¼-2⅛pf pm	6.72	6¼-6⅛pm	0.65
Portugal	220¾-225½	222½-225½	160-545c dis	−18.88	495-1440dis	−17.28
Spain	222-223¾	222¾-223¾	35-80c dis	−2.56	160-205dis	−3.27
Italy	2,486½-2,507	2,491½-2,492½	par-3 lire dis	−0.72	5-10dis	−1.20
Norway	11.19½-11.31¾	11.26½-11.27½	½ore pm-¾ dis	−0.13	par-⅞dis	−0.10
France	11.86¾-11.95¾	11.92-11.93	2½-1⅞c pm	2.20	6½-5¼pm	1.96
Sweden	11.27¼-11.36½	11.34¾-11.35¾	3⅞-4½ore dis	−4.23	10⅞-11⅝dis	−2.97
Japan	315¾-321½	318-319	1.70-1.60y pm	0.22	4.75-4.65pm	5.90
Austria	27.38-27.77	27.66-27.77	14¾-13¾gro pm	5.95	38½-36¼pm	0.52
Switz.	3.27½-3.31¾	3.28½-3.29½	2-1⅞c pm	7.07	5⅞-5¾pm	0.99

Belgian rate is for convertible francs. Financial franc 79.70-79.80. Six-month forward dollar 2.60-2.55c pm, 12-month 4.10-3.95c pm.

FORWARD RATES AGAINST STERLING

	Spot	1-month	3-month	6-month	12-month
Dollar	1.2761	1.2850	1.2656	1.2583	1.2406
D-Mark	3.9125	3.8904	3.8472	3.7927	3.6968
French Franc	11.9250	11.9226	11.9193	11.9158	11.9142
Swiss Franc	3.29	3.2704	3.2323	3.1791	3.0964
Japanese Yen	318.0	316.9	313.65	309.8	303.0

BANK OF ENGLAND TREASURY BILL TENDER

	June 14	June 7		June 14	June 7
Bills on offer	£100m	£100m	Top Accepted rate of discount	11.8324%	11.8795
Total of applications	£364m	£469	Average rate of discount	11.8224%	11.8517
Total allocated	£100m	£100m	Average yield	12.16%	12.24
Minimum accepted bid	£97.05%	£97.04	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	92%	54%			

DOLLAR SPOT—FORWARD AGAINST DOLLAR

June 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.2640-1.2840	1.2805-1.2810	0.51-0.48c pm	4.64	1.47-1.42pm	4.51
Ireland†	1.0120-1.0265	1.0235-1.0250	0.45-0.35c pm	4.74	1.20-0.90pm	4.18
Canada	1.3680-1.3705	1.3680-1.3690	0.23-0.28c dis	−2.16	0.63-0.68dis	−1.91
Nethlnd.	3.4300-3.4866	3.4430-3.4440	0.22-0.19c pm	0.71	0.90-0.80pm	1.01
Belgium	61.55-62.39	61.55-61.65	4½-5½c dis	−0.96	15-17dis	−1.03
Denmark	10.95-11.10½	10.95¾-10.96¾	2-2¾ore dis	−2.45	4¾-5dis	−1.72
W. Ger.	3.0400-3.0960	3.0580-3.0570	0.55-0.51pf pm	2.08	1.74-1.68pm	2.23
Portugal	174½-177	174½-176	200-500c dis	−23.90	800-1350dis	−22.19
Spain	174-176	174¾-175¼	100-115c dis	−7.37	315-335dis	−7.42
Italy	1,942-1,966½	1,943-1,944	9-9½ lire dis	−5.67	28¼-29dis	−5.86
Norway	8.77-8.89¼	8.81¼-8.81½	3¼-3¾ore dis	−4.76	10¼-10¾dis	−4.76
France	9.30½-9.43	9.30¾-9.31¼	1.82-2.02c dis	−2.53	6.05-6.35dis	−2.66
Sweden	8.85½-8.92½	8.86¼-8.86¾	6¼-6¾ore dis	−8.78	19-19½dis	−8.67
Japan	248.05-249.75	248.65-2.4875	0.34-0.30y pm	1.54	0.95-0.90pm	1.49
Austria	21.43½-21.73¼	21.50-21.60	2¼-1⅞gro pm	1.16	5¼-4¼pm	1.02
Switz.	2.5550-2.6080	2.5770-2.5780	0.53-0.47c pm	2.32	1.65-1.60pm	2.52

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 62.20-62.30.

OTHER CURRENCIES

June 14	£	$		£ Note Rates
Argentina Peso	999.57-1001.40	783.06-783.86	Austria	27.40-27.70
Australia Dollar	1.9140-1.9180	1.4985-1.5010	Belgium	78.90-79.70
Brazil Cruzeiro	7,263-7,296	5,690-5,710	Denmark	13.98-14.12
Finland Markka	8.1060-8.1410	6.3850-6.3880	France	11.88-12.00
Greek Drachma	171.20-174.99	135.33-138.17	Germany	3.90-3.94
HongKong Dollar	9.9130-9.9230	7.7698-7.7710	Italy	2480-2510
Iran Rial	119.05*	93.20*	Japan	315-319
KuwaitDinar(KD)	0.3870-0.3875	0.30325-0.30340	Netherlands	4.39-4.843
Luxembourg Fr.	78.85-78.95	61.55-61.65	Norway	11.20-11.32
Malaysia Dollar	3.1440-3.1490	2.4640-2.4670	Portugal	215-230
New Zealand Dlr.	2.8100-2.8180	2.1995-2.2045	Spain	210-225
Saudi Arab Riyal	4.6589-4.6636	3.6498-3.6506	Sweden	11.25-11.36
Singapore Dollar	2.8310-2.8309	2.2190-2.2220	Switzerland	3.26¼-3.01¼
Sth African Rand	2.5085-2.5260	1.9695-1.9730	United States	1.26-1.28
U.A.E. Dirham	4.6875-4.6923	3.6720-3.6730	Yugoslavia	335-355

* Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 14	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc	44.9008	45.2112	+0.69	+0.75	±1.5471
Danish krone	8.14104	8.06099	−0.98	−0.92	±1.6419
German D-mark	2.24184	2.24578	+0.18	+0.24	±1.1475
French franc	6.87456	6.84684	−0.40	−0.34	±1.3689
Dutch guilder	2.52595	2.53051	+0.18	+0.24	±1.5171
Irish punt	0.72569	0.717539	−1.12	−1.06	±1.6673
Italian lira	1403.49	1428.80	+1.80	+1.80	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

CURRENCY MOVEMENTS

June 14	Bank of England Index	Morgan Guaranty Change %
Sterling	79.8	−9.5
U.S. dollar	145.9	+30.4
Canadian dollar	87.7	−5.8
Austrian schilling	112.2	+2.9
Belgian franc	89.9	−11.8
Danish Kroner	77.5	−6.6
Deutsche mark	121.9	+5.8
Swiss franc	139.4	+7.8
Guilder	116.4	+3.2
French franc	65.0	−10.0
Lira	46.4	−16.9
Yen	156.0	+12.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 14	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.777017	0.572685
U.S. $	7½	0.997679	0.730086
Canadian $	8.79	*	1.00025
Austria Sch.	4½	21.6227	15.7774
Belgian Fr.	9¾	61.8786	45.2112
Danish Kr.	7	11.0448	8.06099
D'mark	4½	3.06086	2.24678
Guilder	5	3.46046	2.53051
French Fr.	9½	9.35080	6.84684
Lira	16½	1950.48	1428.80
Yen	5	248.921	181.831
Norway Kr.	8	8.83446	6.46405
Span'h Pta.	—	174.972	128.059
Swedish K.	11.5	8.89980	6.49421
Swiss Fr.	4	2.56653	1.880930
Greek Dr'ch	20½	136.185	99.3661
Irish Punt	13¾	N/A	0.71753

* C$/SDR rate for June 13: 1.36155

EXCHANGE CROSS RATES

June 14	Pound St'rling	U.S. Dollar	Deutschem'k	J'panese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.281	3.913	318.6	11.93	3.290	4.419	2492.	1.753	78.90
U.S. Dollar	0.781	1.	3.057	248.7	9.310	2.578	3.444	1944.	1.368	61.60
Deutschemark	0.256	0.327	1.	81.41	3.048	0.841	1.127	636.9	0.448	20.17
Japanese Yen 1,000	3.140	4.022	12.28	1000.	37.44	10.33	13.85	7824.	5.504	247.7
French Franc 10	0.839	1.074	3.281	267.1	10.	2.759	3.698	2090.	1.470	66.10
Swiss Franc	0.304	0.389	1.189	96.81	3.625	1.	1.340	757.4	0.533	23.96
Dutch Guilder	0.227	0.290	0.887	72.22	2.704	0.746	1.	565.1	0.398	17.89
Italian Lira 1000	0.401	0.514	1.570	127.8	4.785	1.320	1.770	1000.	0.703	31.66
Canadian Dollar	0.570	0.731	2.232	181.7	6.803	1.877	2.516	1422.	1.	45.01
Belgian Franc 100	1.267	1.624	4.959	403.7	15.11	4.170	5.589	3158.	2.222	100.

EURO-CURRENCY INTEREST RATES (Market closing rates)

June 14	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short-term	12⅞-12⅞	7 7/16-7 9/16	8⅝-8⅞	6⅞-7	1¼-1¾	5⅜-5⅛	10 1/16-10 3/16	13-14	8⅜-8⅝	8½-8¾	5-5⅛	9¾-10¼
7 days' notice	12½-12⅝	7 7/16-7 9/16	8⅜-8⅞	6⅞-7	1⅝-1⅞	5⅜-5½	10 5/16-10 7/16	10½-14½	8⅜-8⅞	8½-8¾	6 1/16-6 3/16	9¾-10¼
Month	12 9/16-12⅝	7½-7⅝	8½-9¼	6¾-6⅞	6⅛-6¼	5⅜-5⅛	10 5/16-10 7/16	10⅝-13⅞	8¾-9	8¾-9	6 3/16-6¼	10-10½
Three months	12 7/16-12 9/16	7 9/16-7 11/16	9⅝-9⅞	6⅝-6¾	5 7/16-5 9/16	5 7/16-5 9/16	10¼-10⅜	13½-13⅞	8¾-9	8¾-9	6 3/16-6 5/16	9⅞-10⅛
Six months	12⅛-12¼	7 13/16-7 15/16	9⅝-9⅞	6⅝-6¾	5 7/16-5 9/16	5 7/16-5 9/16	10 7/16-10 9/16	13⅜-13¾	8⅞-9⅛	8⅞-9⅛	6⅛-6⅝	9½-10
One year	11⅞-12	8 3/16-8 5/16	9⅝-9⅞	6⅝-6¾	5 5/16-5 7/16	5⅝-5¾	10 13/16-10 15/16	13¾-14⅛	9⅛-9⅜	8⅞-9⅛	6 3/16-6⅜	9⅝-9⅞

Asian $ (closing rates in Singapore): Short-term 7⅝-7¾ per cent; seven days 7⅝-7¾ per cent; one month 7⅝-7¾ per cent; three months 7 11/16-7 13/16 per cent; six months 7⅞-8 per cent; one year 8 5/16-8 7/16 per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9¾-10 per cent; four years 10-10¼ per cent; five years 10¼-10½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

UK rates set at current levels

The mood associated with summer holidays pervaded money markets last week despite some rather unpleasant weather. It is neither possible nor wise to suggest that because nothing is looming up there is unlikely to be any radical change in the current interest rate structure but money markets came as close as possible to admitting this last week.

This mood of consolidation was based on a move by Barclays and Midland to drop their base rates to 12½ per cent, a rate already claimed by the other two major clearing banks. This was taken as a tacit admission that the prospects of leapfrogging down to 12¼ per cent had now disappeared. There is certainly little evidence to call on at the moment to make a case for a further cut.

UK clearing banks base lending rate 12½ per cent since June 12

With inflation now up to 7 per cent on an annual basis, the authorities will no doubt be very keen to ensure that a steady sterling exchange rate plays its part in controlling manufacturing costs, and with a meeting of Opec ministers scheduled for early July, the pound may still need all the friends it can get. Here again foreign investment in Government stock has been encouraged by the favourable level of return, which has created a good demand for sterling at a time when the prospects for U.S. interest rates are at least cloudy.

This latter point has in turn contributed to the general decline in activity in London, for as any strong trend develops in U.S. rates so the options on UK rates are affected.

Against this background UK rates have hardly moved during the week. Three-month interbank money was unchanged at around 12½ per cent while three-month eligible bank bills were hovering just below 12 per cent to show little change on the week.

MONEY RATES

June 14	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.45-5.55	10¼	2⅛-2⅜	6¼-6⅞	6.03125	14⅞-16¼	7.60	12⅜-12⅞
One month	5.50-5.60	10⅛-10¼	5⅛-5¼	6¼-6⅞	6.21875	14⅝-16	8¾-9	12⅜-12⅞
Two months	5.55-5.70	10⅛-10¼	—	—	—	—	—	12½-12¾
Three months	5.55-5.70	10⅛-10¼	5⅛-5¼	6⅝-6¾	6.28125	15-16⅛	8¾-9	12⅜-12⅝
Six months	5.6-5.75	10¼-10⅝	—	6⅝-6¾	—	—	8⅞-9⅛	12⅜-12⅝
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES

Discount Houses Deposit and Bill Rates

June 14 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	8-12½	12¼-12⅛	5-12⅝	5-12½	—	—	—	—	—
2 days notice	—	—	12⅜-12½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12⅝-12⅝	12½	12⅛-12¾	12⅜-12⅛	—	—	—	—	—
One month	12⅝-12 9/16	12 9/16-12 11/16	12 9/16	12¾	12⅝	—	—	—	—	—
Two months	12 9/16-12 7/16	12 7/16-12⅝	12½	12⅝	12¼	12¼	12 3/32	12¼	12 3/16	12⅞
Three months	12 7/16-12 5/16	12⅜-12 7/16	12⅜	12⅝	12⅛	12⅛	12	12⅛	12 1/16	12¾
Six months	12 5/16-12 3/16	12⅛-12¼	12⅛	—	—	11⅞	11¾	11 31/32	11 15/16	12⅝
Nine months	12-11⅞	12-12⅛	—	—	—	—	—	11 27/32	11 25/32	12½
One year	11⅞-11¾	11⅞-12	11⅞	—	—	—	—	—	—	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	12½-12⅝	—	12⅝	7.45-7.55	7⅛-7⅝	9⅛-9¼
Two months	12-12⅝	—	12⅝	7.45-7.55	7¼-7⅜	9⅛-9¼
Three months	12⅜-12⅜	—	12½	7.5-7.6	7⅜-7½	9⅜-9½
Six months	12⅛-12¼	—	12¼	7.7-7.8	7½-7⅝	9⅛-9⅜
Nine months	12⅛-12¼	—	12	7.8-8.0	—	—
One year	12⅛-12	—	12	8.1-8.2	8⅛-8¼	9⅛-9¼
Two years	—	11⅞	—	—	—	—
Three years	—	11⅞	—	—	—	—
Four years	—	11⅞	—	—	—	—
Five years	—	11⅞	—	—	—	—

ECGD Fixed Rate Export Finance IV: Average Rate of interest period May 8 to June 4 (inclusive): 12.677 per cent. Local authority and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate (published by the Finance Houses Association): 13 per cent from June 1, 1985. London and Scottish Clearing Bank Rates for lending 12½ per cent. Bank Deposit Rates for sums at seven days' notice 6.25-6.75 per cent (net). Treasury Bills: Average tender rate of discount 11.8224 per cent. Certificates of Tax Deposits (Series 5): Deposits £100,000 and over held under one month 12¾ per cent; one-three months 12½ per cent; three-six months 12¼ per cent; six-nine months 12¼ per cent; nine-12 months 12 per cent. Under £100,000 11½ per cent from June 11. Deposits held under Series 5 12 per cent. The rate for all deposits withdrawn for cash 8 per cent.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 14)

Three months U.S. dollars	
bid 7 11/16	offer 7 13/16

Six months U.S. dollars	
bid 7 7/8	offer 8

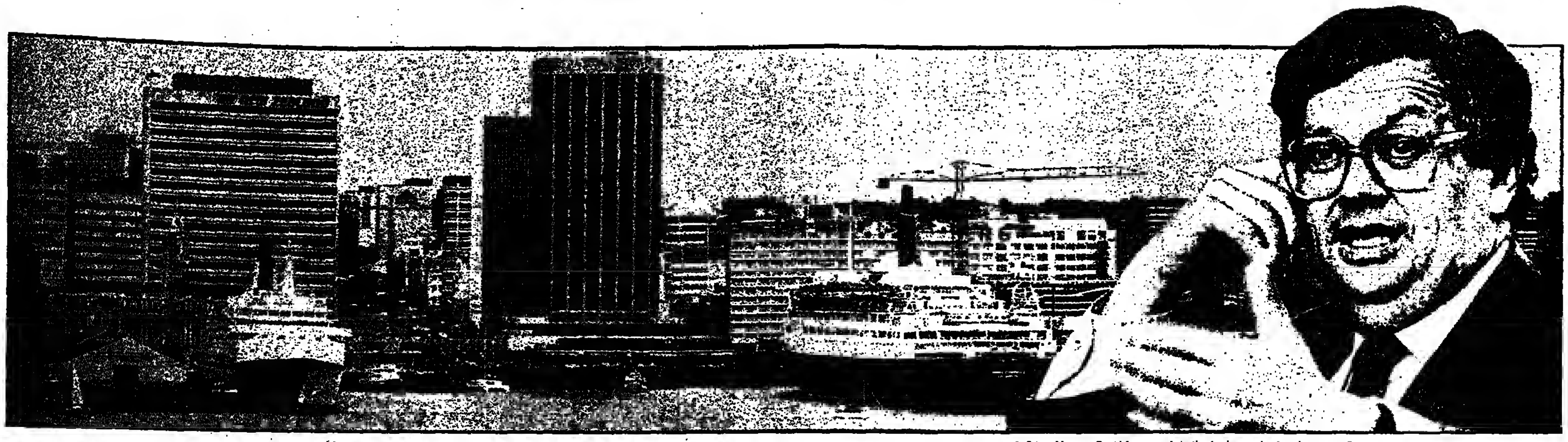
The fixing rates are the arithmetic means, rounded to the nearest one sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (4 pm)

Prime rate	10
Broker loan rate	8¾
Fed funds	7⅝
Fed funds at intervention	(—)
Treasury Bills	
One month	6.20
Two month	6.70
Three month	6.71
Six month	6.86
One year	7.03
Treasury Bonds	
Two year	100[illegible]
Three year	101[illegible]
Four year	102[illegible]
Five year	101[illegible]
Seven year	102[illegible]
10 year	107[illegible]
30 year	108[illegible]

FINANCIAL TIMES SURVEY



● Prime Minister David Lange and, in the background, Auckland, New Zealand's largest city. Moored on the waterfront is the Cunard flagship Queen Elizabeth 2 and the liner, Royal Viking Sky. Picture by Glyn Genin

New Zealand

The country's new Labour Government is making an almost-revolutionary attack on the economic controls, constraints and interventionism of the former National Party Government of Sir Robert Muldoon.

MAJOR ECONOMIC AND SOCIAL CHANGES UNDER WAY

NEW ZEALANDERS are used to hard times — to conjuring a living at the bottom of the globe. For more than a decade their economy has been almost permanently in recession, so that when politicians come amongst them, declaring that the challenge of economic crisis is their greatest opportunity to remake New Zealand as New Zealand was meant to be, they ought to be well-equipped to weigh the rhetoric.

The message from the New Zealand Labour Party Government of Mr David Lange, who won power last year, is clear and unflinching. It is that New Zealand must change: that efforts to preserve intact the New Zealand of the 1950s and 1960s are doomed.

By Michael Thompson-Noel

The Prime Minister says that Labour's objectives are quickly stated—"They are the full employment of all our resources, sustainable economic growth, price stability, balance in our external accounts, and a fair distribution of income.

"It could not possibly be thought that these objectives will be easy to achieve, but the whole range of economic advice available to me tells me that they can be achieved."

What is singular about the Lange Government is the rapidity and boldness with which it has matched rhetoric with action.

What is underway in New Zealand is an almost-revolutionary attack on the controls, constraints and interventionism of the former National Party Government of Sir Robert Muldoon, married to an attempt at forcing New Zealanders to acknowledge that economic and social recovery can only be achieved if New Zealand becomes more like the rest of the world.

It used to be maintained—and was no doubt true—that New Zealand was a small, close-knit, prosperous community in the South Pacific enjoying high living standards, advanced welfare services, and racial harmony. As recently as 1972, a comparison of 15 social indicators in 17 countries awarded a score, positive or negative, according to whether official statistics showed each of the countries to be above or below average on each of the indicators.

The study included familiar economic measures (rates of growth, number of telephones and cars per 1,000 of population, numbers in higher education and circulation of daily newspapers per head of population); a number of social welfare and health measures (population per doctor, plus murder, divorce and infant mortality rates) and others.

New Zealand came top of the list, followed by Canada, the U.S., Sweden and Australia in that order. The headline in the New Zealand Economist was: "Oh, you lucky Kiwis!"

There are no such headlines today. Since the election last July, New Zealanders have been encouraged to step away from the looking glass and see themselves as others do.

Labour has thrown open the books. The Finance Minister, Mr Roger Douglas, says that the country's "crisis" stems from its failure over a long period to adjust to changed external circumstances.

Persistent fiscal and balance of payments deficits had resulted in very heavy domestic and overseas debt. Rather than deal with all the imbalances in the economy—says Labour—the National Government tinkered with one problem at a time. Over the two-year period prior to last July, inflation had been accorded top priority. But rather than tackle its causes, National had suppressed its symptoms with widespread controls, prompting alarming imbalances elsewhere.

Under Labour, says Mr Douglas, National's interventionist approach has been "swept aside and replaced with integrated market-based policies that have a medium-term focus."

Labour has tightened up monetary policy, and is committed to reducing the fiscal deficit substantially over its three-year term. Recent projections indicate a deficit of around 3 per cent of GDP by 1986-87, against 9 per cent of GDP in 1983-84.

It is committed to a realistic exchange rate, which was formerly — and stubbornly — over-valued. Labour's first action last July was to devalue the New Zealand dollar by 20 per cent. In March this year, the dollar was floated. The Government also embarked on a series of steps to help strengthen the foreign exchange market, abolishing exchange control which had been around — in varying degrees — for approximately 50 years.

A key thrust of Labour's policy is to improve resource utilisation and speed adjustment, by making the economy both more responsive and adaptive to events offshore.

The country's economy has undergone big changes over the last decade. The export base has been expanded. Non-pastoral products now account for over half of its exports compared with around 40 per cent a decade ago. New trading partners have been found in Asia, the Middle East and eastern Europe to help compensate for Britain's diminished impact on New Zealand trade, and for what Sir Robert Muldoon has called the economic lunacy of the EEC's common agricultural policy.

But far more was needed, says Labour, mainly to combat distorted relative price signals and iron out market rigidities. The move towards a more realistic exchange rate has boosted export competitiveness, and enabled a number of export assistance schemes to be removed or progressively phased out.

One of the main schemes, the Export Performance Taxation Incentive, will be phased out over the next two years. Similarly, a number of export credit assistance schemes administered by the Reserve Bank have already been discontinued.

A wide range of other initiatives has been embarked on. Subsidised interest rates on Rural Bank finance are being progressively increased to market levels, and various subsidies on farm inputs are being phased out.

A programme to liberalise import licence tendering, and to place greater emphasis on tariffs

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Mr David Lange, New Zealand's Prime Minister, outlines here his views on a wide range of economic and political issues. He was interviewed by Michael Thompson-Noel.

Time for radical solutions

IN AN interview in Wellington, Mr Lange explained his views on:

● **Economic restructuring:**

We've had a very long history in New Zealand of a form of social welfare capitalism. We (Labour) are people who have in ten months been very substantial disturbers of privilege. Those people who have positions to protect because there is a protected market for their manufactured products, or who have been used to an inherited pattern of farming, are faced with two choices.

One is to entrench in a stultifying pattern of production and scream like the devil that they are suffering at the hands of the dreadful Government, and burden the Government with their failure, whereas their failure was a more or less innate inability to read the market.

The second one is to get them to move. *If they won't do that*, you've got to move with them. I think that the Development Board we're announcing will be a pretty clear signal that people should not lose the chance to restructure as quickly as they must.

● **Government spending:**

In straight terms we'll have a large reduction in the Government deficit. In percentage terms we'll have a more dramatic reduction. We've got stuck into it . . . We have, for instance, escalated the price of power so that we no longer sell to the multi-national processing company electricity at widow's prices . . . We have not been dictated to by some rigid norm which accepted that all form of spending was absolutely justified, and that each item of expenditure should be reduced —say—by 3 per cent."

● ***Relations with the unions:***

They are pretty practical. We have always set out to assert that we are a Government that is representative of the broad spectrum of NZ society. When I was in opposition I used to say that Labour is the party which represents "Wattie's and the wharfies" — Wattie's, the very large industrial conglomerate in New Zealand, and wharfies, the term for the dockers.

I did not set out to imply that we were somehow the constitutional front of organised labour. We are not. We are very much *part of the labour* movement, but in government we are certainly seen by organised labour as being the inheritors of government.

It is perfectly clear from the past 10 months that we are not an easy con, say, for the trade union movement. There is some resentment of that, particularly from the white-collar state service sector, very vociferous criticism.

● **Repercussions of the nuclear ships ban:**

There's one matter. Apparently a display of cheese didn't go ahead in a Los Angeles supermarket, but that was to be a giveaway of cheese, and we don't make a lot of money out of giving cheese away.

I know enough about human nature to know that people who buy from us buy basically because we have a product, a delivery, and a price which they find acceptable.

I think it is now inconceivable that the National Party (in NZ) could let itself be locked into a totally unquestioning nuclear-tolerant policy. There is an abundance of evidence that the issue far transcends a narrow partisan base.

Any suggestion that we are anti-American is absolutely absurd. We are people who as a nation have a very benign view of the U.S. Anyone in New Zealand who set out to banks his or her political fortune on abusing the U.S. would *not get on a borough council.*

The U.S. is one of the repositories of our democratic traditions. We share a common heritage. We do not see things the same as they do because they are a superpower with global responsibilities, which they assume. We are not, and I unashamedly confess that. But I assert for New Zealand the right to have an independent view of what an alliance means—not provocatively, and certainly with no malice or rancour.

● **Relations with the voters:**

I'm saying very simply that they elected a three-year Government on July 14 last year: that we never promised them a bundle of joy. We've said there would be a substantial period of strain and pain. We actually said this was the first general election in this country when politicians haven't promised to throw you goodies.

I'm reminded them of that. I stood up in front of 900 people last night. They never stood and cheered. I didn't ask them *to*. I *said to them*, You're sensible people who've been going 10 months with this Government. There've been some very dramatic changes, and we're starting to see some results.

But we're not out of the woods yet, and there's going to be a bit more pain—a lot more pain for some. I said you don't throw the skipper and crew off the ship just because you run into the first patch of rough sea. As sensible people, they know they can't keep on living beyond their means.

● **Three-year parliamentary terms:**

I have described the moves we've taken with the New Zealand economy as being a race against the electoral clock because they must start to deliver and show real promise by the time the next election comes around (1987).

I still think it's possible to do that, because of the extraordinarily precipitate way in which we took office, and the fact that we were dealing in radical ways with the economy even before we were sworn in. We were running the show long before we got paid to run it. It took 13 days for us to get sworn in, but we had changed the nature of the New Zealand economy before we took office.

Any move by a political group in New Zealand to extend the parliamentary term would be a total waste of time. Politicians in New Zealand are not liked. Every time we go offshore we are treated as being on holiday. In Wellington we are treated as being on the booze, on the grog, in the trough, or something or other.

THE POLITICAL SYSTEM

The British Sovereign holds executive power, exercised by an appointed Governor General who must act on the advice of the Executive Council or Cabinet except in very exceptional circumstances.

The Prime Minister leads *the Cabinet. The legislature* is the 92-member, unicameral House of Representatives. 88 members are elected for "general" seats and four members for "Maori" seats, *voting for the latter is also* open to those of Maori descent who choose to be registered on the Maori roll.

General election: *held July* 14, 1984; Government formed by Labour Party (56 seats); opposition parties: National Party (37 seats) and Social Credit (2 seats). The New *Zealand Party won 12 per* cent of the vote, but no seats.

Voting qualifications: Anyone over age 18 (whether or not a national) domiciled in New Zealand and resident *for at least a year.*

"We're not out of the woods yet," says David Lange. He emphasises that his party "never promised the voters a bundle of joy"

Every inch a New Zealander

DEXTEROUS, despite his bulk, the New Zealand Prime *Minister*, Mr David Lange, moves and talks with great rapidity. His verbal skill spins castles out of cobwebs and has been described as one of four likely factors contributing to *his swift rise from the* periphery of New Zealand politics to the Labour Party leadership and thence the Prime Ministership.

The other three factors are said to be his former fatness, which always got him recognised—he is now much slimmed down; his church and family background, which pointed to deep social concerns; and the luck of being in the right place at the right time.

"There are lots of reasons why I am where I am," he said a year ago, just before routing Sir Robert Muldoon's National Party Government in a bitter general election that broke the mould of NZ politics, "but one of the most compelling reasons is that I was there."

In a little under a year he *has presided* over *an almost* revolutionary attack upon the impedimenta of New Zealand's economic and financial systems, and charted a brave—some would say foolhardy—foreign policy course with the banning of nuclear-armed and nuclear-powered ships from his country's ports.

He is every inch the New Zealander. In the view of a biographer, Vernon Wright: "Lange would still rather set his face into a southerly storm at Owhiro Bay or a rugged sea at Hokianga Heads than visit Auckland Art Gallery."

In the prime minister's words: "If I want to have something which really is a warm, reassuring part of my heritage of being a New Zealander, that builds up my spirit, it *is* to be in a tin hut, with an open fire, somewhere miles from anywhere."

Politically, he is still able to harangue the former National Government, for it was National's economic *handling*, plus the bullying, interventionist style of Sir Robert, that helped sweep Labour into office last July.

In a speech last month to *Labour's Auckland* regional conference at the Pacific Island Church, Otara, Mr Lange used both a scalpel and an axe.

He said New Zealand's tragedy of the last decade was that it was locked into the *patterns of* the past by a government — National's — that was afraid.

"New Zealand suffered because of a failure of political will," he says. "Change is not *easy for governments*. It carries risks. The National Party Government accordingly decided that New Zealand would not change. It borrowed overseas to avoid the need for change.

"It attempted through that borrowing to insulate New Zealand from economic reality. It offered the Think Big (energy) projects as some kind of cargo cult, as if we could earn a living without working for it.

'I believe that our challenge is to create a society where people feel committed to each other . . . where they realise they have a duty to their brothers.'

"It protected the interests of the past and the tired institutions of the past by an ever-increasing range of subsidies, regulation, and control.

"It became more strident and oppressive as the pressures for change increased. Its methods did not work. Our economic performance was worse and worse. Then it was removed and the people of New Zealand took their country back. They voted-in a Government which had the strength and confidence to make the hard decisions."

The Prime Minister's great-grandfather, Hermann Heinrich Lange, a tailor, emigrated to Nottinghamshire in the 1860s and married an English girl, Aida Taylor, on Boxing Day 1871. The couple emigrated to New Zealand, settling in Thames, then a service centre for the Coromandel goldfields.

David Lange's father, Roy, studied medicine at Otago University, and became a Fellow of the Royal College of Surgeons, Edinburgh.

The son became a lawyer. For a time, David Lange worked in London, selling his month's supply of luncheon vouchers at below face value because he needed the money. Sometimes he went to Central Hall, Westminster, where they put on a tea for vagrants. Eventually he worked for Westminster Bank in Threadneedle Street.

At home again in Auckland he routinely tackled 10 to 12 cases a day. "His record number of pleas in one day was 23," says Vernon Wright. "Despite his astoundingly high work volume, Lange's recovery of fees was low. By the time he left law to enter politics in 1977, Lange was earning NZ$70,000."

In Parliament his maiden speech drew prolonged applause from both sides and offers important clues to his approach to the political and legislative processes.

At one point in the speech he asked how he could continue to justify to people the piecemeal approach of laws that provide a theoretical maximum penalty of three months' imprisonment for careless driving causing death and a theoretical maximum of 14 years for growing a cannabis plant.

Later on he said: "I believe that our challenge is to create a society where people feel committed to each other, where they have an interdependence which no adversity can force apart, where they realise they have a duty to their brothers."

This theme reverberates today. Mr Lange insists that *his* Government's economic policies are not doctrinaire. Nor, he says, has the Government "gone into some form of early retirement so that the forces of the market can let rip . . . we are interested in what is fair and what will work."

He says that Labour is redefining the relationships between government and people. Almost 50 years ago, he says, the Labour Party in New Zealand created a system of economic and social organisation usually known as the welfare state.

"Fifty years ago the welfare state was fresh and new. Today it is in crisis. It does not deliver what is needed."

David Lange is regarded with a great deal of affection in Wellington. He is viewed as witty, zestful, bold, gregarious, and a little bit eccentric. What he probably needs most is the patience of Job.

David Lange. A Profile. By Vernon Wright, Unwin Paperbacks with Port Nicholson Press, Wellington.

M. T-N.

Labour looks to the future

CONTINUED FROM PAGE 1

rather than quotas, is coming in. Reinforcing these moves is the progress being made in implementing a series of industry plans, the object of which is to progressively open up domestic industry to greater foreign competition and boost efficiency.

In a speech last November, five days after presenting his first budget, Mr Douglas told the New Zealand Bankers' Association that in essence, the National Party Government had dealt with New Zealand's problems by the application of ointments and aspirins, when what the economy really needed was corrective surgery.

Some businesses would face higher costs as a result of the first budget, but in return they would get more consistent economic management, a lower fiscal deficit, lower interest rates, and less inflation. Some individuals would face a higher cost of living, but over the next 18 months or so would benefit from comprehensive tax reform —a reference to the goods and services tax Labour is planning, said to be the country's most important tax reform since the introduction of PAYE in 1957.

A cynic would seize on Labour's admission that it will take up to five years to turn the economy around, and wonder what that implies for the third year of Labour's term, in the run-up to the next general election. The cynicism would stem from the role traditionally played by electoral bribery in New Zealand, a practice of which both parties have *been guilty*.

Mr Lange says that Labour is "not going to try to buy victory in the next election and consign New Zealanders for ever to the status of a second-rate economy and a failed society. . . . The next economic upturn will not be devised to coincide with the election. The Labour Government will lose the next election if it is not fair or if its actions are unreasonable or discriminatory. If it is that, it will not deserve to win."

It is too early to say whether Labour will succeed with all its objectives, but in terms of financial deregulation and economic restructuring it has stated, with the utmost clarity, what it wishes to achieve and how it hopes to achieve it.

It has made a similar mark with its decision to ban nuclear-armed or powered ships from New Zealand ports. This has put great strain on the ANZUS defence treaty between New Zealand, the U.S. and Australia, and raised questions as to whether a country as small, weak and vulnerable as New Zealand can afford to change its foreign policy stance every time it changes government.

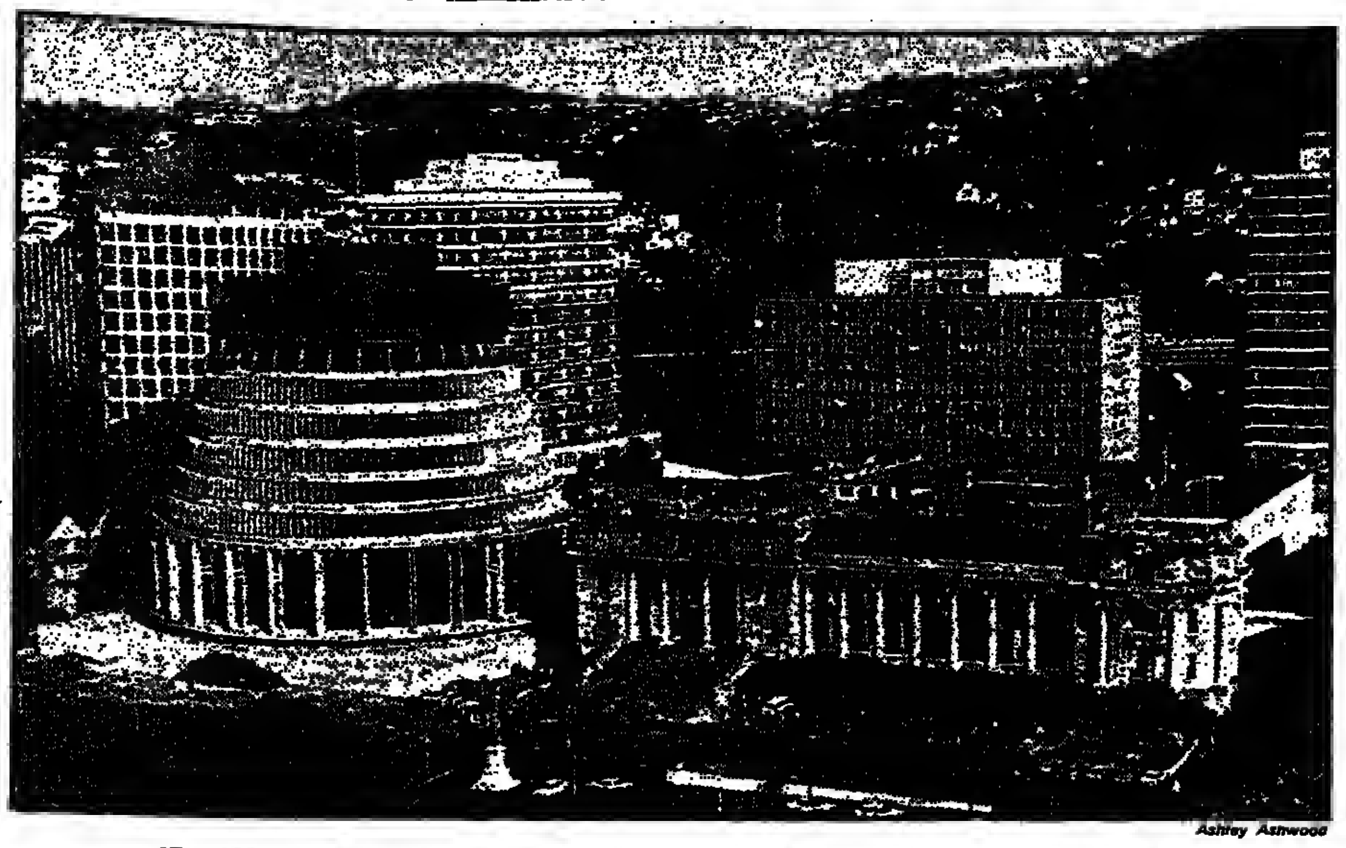
According to Mr Malcolm Templeton, director of policy studies at Wellington's Victoria University: "Two-fingered diplomacy is a very inadequate response to the political and economic problems New Zealand faces in today's real world."

In a recent survey of New Zealand's foreign policy choices in the nuclear age, Mr Ramesh Thakur of Otago University says it is important to rescue the ANZUS debate from polemical charges and counter-charges. "ANZUS membership and nuclear ship visits do not automatically put New Zealand on the Soviet nuclear hit list; withdrawal from ANZUS would not immediately expose New Zealand to the tender mercies of the Soviet Union."

Mr Peter Rankin, director of the New Zealand Planning Council, has possibly put it best by saying that the country's real security concerns relate to the viability of the wider world system on which NZ depends and in which it lives:

"*Because* we want to *live* in the rest of the world, that world system matters to us. . . . Insignificance is not something we need to feel defensive or insecure about. The virtues are considerable. Our demands on the rest of the world are very small, and its demands on us are negligible.

"We are not inexperienced at operating in the world system. The combination gives us very considerable freedom, and responsibility, for managing our own destiny."



Ashley Ashwood

The Old Parliament building (right) in Wellington and the newer Executive Wing—known locally as the Beehive

Personality profiles on New Zealand's Labour Government: FT correspondents highlight here three leading decision-makers and their plans for reform.

PROFILE: Roger Douglas, Finance Minister

A bold policy-maker

ROGER DOUGLAS, a Labour MP since 1969, and the son of an old-time trade union Member of Parliament, grew up in a traditional Labour household.

Now, as Minister of Finance in New Zealand's Labour Government, he is the architect of a radical economic policy which has dismayed many Labour supporters and caused anxiety and unease among some of his own Labour colleagues in Parliament.

Mr Douglas believes in a completely free market-orientated economy. In just nine months he has introduced more changes to New Zealand's financial and banking system than the country has seen in the past 10 years.

He has swept away a whole morass of controls, restrictions, regulations and Government interference which has hampered and bedevilled the country's economy for more than a quarter of a century.

In doing so, he has also created an economic climate where interest rates and inflation have again started to soar. At the beginning of June, interest rates on home mortgages were above 20 per cent—loan money was costing firms and developers up to 30 per cent.

This, along with rising prices, an additional tax on age benefits and his proposed goods and services tax—a version of value added tax, has alienated trade unions and a large section of the public.

The whole future of the Lange Labour Government, and whether it will survive more than its first three-year term, will depend to a great extent on the success of Mr Douglas' policies. Even if they are successful, Mr Douglas must prove this to the public well before the 1987 election.

This is one weakness in the otherwise undoubted ability of Roger Douglas. He tends to keep details to himself. It is claimed that he does not always take even his own colleagues, let alone the general public, into his confidence. Convinced he is right, he does not think it necessary to spend a lot of time answering critics or explaining his moves in great detail. He expects to be taken on trust.

Roger Douglas: sweeping away a morass of financial controls.

He has failed to explain the benefits of the big tax cuts which, he claims, the Goods and Services Tax will allow him to make next year. He has not convinced the members of the public that they will have much more spending power in their pockets.

Only in early June, when public opinion polls at a pending by-election in a former safe Labour seat showed the Government was trailing the opposition and in danger of losing, did Mr Douglas provide much more information on what he hopes to achieve.

Many observers, particularly in the financial sector, have been amazed at the speed with which Mr Douglas tackled the country's undoubtedly sick, ailing economy. His plans were well-thought-out, however, long before he became Minister of Finance, last July.

Roger Douglas spent much of the last eight years, while in opposition under Sir Robert Muldoon's Government, thinking and planning a new, radical-type economy which could be implemented by a Labour Government.

While in opposition, he publicised a thought-provoking book, "There's got to be a better way"—an alternative to the traditional economic policies which were leading New Zealand deeper into international debt.

In essence, Mr Douglas believed the nation needed a revolution — but a peaceful economic revolution. He still believes so and he has the confidence and the courage to try and implement his objectives.

Mr Douglas does not accept that he has moved far from the Labour objectives and beliefs of his father and the other old-time Labour supporters. He says these remain the same, although he has different ideas on how to bring them about.

His objective for New Zealand is a prosperous society, giving equal opportunities and a fair share to all. He wants access to all levels of education for anyone with ability—irrespective of their income or their social background.

He also believes that people should be rewarded for their efforts. He believes people deserve to be rewarded for innovation and risk-taking.

The philosophy of Roger Douglas can be summarised in a comment he once made to a group of bankers: "To achieve our objective, we need a productive, dynamic economy and Government interventions which will effectively promote social justice, without penalising individual effort and enterprise."

DAI HAYWARD

PROFILE: Mike Moore, Cabinet Minister

Man of unbounded energy

THE Hon Mike Moore, third-ranking member of the New Zealand Cabinet, Minister of the important Overseas Trade and Marketing portfolio, Minister of Tourism and Minister of Recreation and Sport, would never provide the inspiration or model for a "Yes, Minister" type of programme.

A man of almost unbelievable energy — especially when measured by Civil Service criteria—he is fast-moving, decisive and a minister who expects — and gets — prompt action.

Ideas for his various portfolios, especially tourism, spill out in a never-ending stream. Those closest to him, caught up in his unbounded enthusiasm, enjoy working with Mr Moore, although they admit they find it hard to keep pace with his non-stop approach and demand for fast results.

Mike Moore says: "Nobody dies from hard work—only from frustration."

At 23, he was the youngest-ever MP elected to the New Zealand Parliament when he captured a national Government-held seat in 1972. A major factor in this victory was his own driving force and the 18-hour-a-day effort he put in every day for eight weeks before the election.

Mr Moore lost the seat in the big anti-Labour swing in the 1975 election but, in 1978, he was back in Parliament as MP for another electorate—Papanui, in Christchurch.

Mr Moore became involved in Labour Party politics at an early age. When only 17 he was elected to the Auckland Trades Council—the regional governing body of trade unions—and held his own with veteran trade union officials.

He was the first youth representative elected to the Labour Party's New Zealand executive and held office at every level of the party up to the post of vice president.

All this before the age of 32.

Despite his long immersion in traditional Labour Party philosophy, he does not believe in state-domination or state monopolies in trade or commerce. He has welcomed the establishment of new independent domestic airlines which provide strong competition for the state-owned Air New Zealand and has encouraged private enterprise hotel chains to open even though the Government-owned Tourist Hotel Corporation falls into his area of responsibility.

The greatest heresy, however, in the eyes of senior and middle ranking civil servants, is the increased influence given to private enterprise in what were formerly departmental areas of responsibility. A new marketing board, to promote exports, which will have only three departmental representatives against six from private enterprise, is one example.

Civil servants have been particularly stung by the suggestion that this organisation could eventually provide the country's overseas trade commissioners—posts now filled exclusively by career civil servants.

He has bluntly told producer boards and major exporters to consider barter deals if that is what the customer wants. Mr Moore has encouraged exporters to hunt for new markets.

He has personally led large trade missions to several Asian regions using his ministerial influence to open trade doors for the commercial representatives travelling with him.

Private enterprise—not civil servants—are the best sellers of its own products, he says. This is not a philosophy to win affection or even great support from bureaucrats or senior civil servants, especially in a country where Government-influence and controls have been firmly cemented around much of the commercial activity. But it is one which New Zealand's youthful, enthusiastic senior minister pursues, simply because he firmly believes it is in the best interests of the country.

DAI HAYWARD

PROFILE: Ann Hercus, Cabinet Minister

War on sexism and racism

AN INFLUENTIAL member of the Lange cabinet is Mrs Ann Hercus, 43, who at one and the same time is Minister of Social Welfare, Minister of Police, and Minister of Women's Affairs.

She says she is one of two feminist cabinet ministers in Wellington. When I asked her why she deliberately used that word, which in New Zealand still causes palpitations, she replied that she had been an adult and a feminist for a long time; that it was a sane and sensible word, and that it would be the height of hypocrisy to dispense with it now.

Mrs Hercus is sometimes thought of as prime minister material, but says that both the Prime Minister and Deputy PM are exactly the same age as she, and that ambitions to lead the party do not loom large.

"Why should they? I can't think of three more satisfying jobs than the ones I hold now. Social welfare covers about a quarter of public expenditure. I'm the first woman Police Minister. And the first person to head an autonomous department of women's affairs."

At high school she was a Waikato swimming champion and played first XI hockey. She attended Victoria University in Wellington, as well as Auckland and Canterbury Universities, and won Lyttelton for Labour at the 1978 general election.

Wide experience

While in opposition, Mrs Hercus was at different times spokesperson for consumer affairs, health, social welfare, women's affairs and associate spokesperson for trade and industry. She also spent six years on Parliament's public expenditure committee.

Her work as Minister of Women's Affairs is not all plain sailing, and has drawn the ire of fundamentalist church groups. One letter started: "Dear Mrs Hercus, As a 'typical' Kiwi mum and wife, I strongly resent any representation to the United Nations on my behalf. My authority is God, the Queen, the Governor General, then my husband."

She says the police will respect the right of lawful protest, and adds that although next month's All-Blacks rugby tour of South Africa has already sparked several large rallies, there have been very few arrests.

Mrs Hercus—whose brother was an All-Black—says she would find no difficulty joining an anti-tour protest march, "but not if it put me in confrontation with my own police."

One of her biggest challenges, she says, lies in attempting to combat sexism and racism, though she does not believe that race relations in New Zealand are the powderkeg portrayed by some.

MICHAEL THOMPSON-NOEL

Pursuing a more independent stance

WITH THE advent of the Labour Government in July, 1984, New Zealand's foreign policy underwent a significant change of course.

The Labour Party—and the Prime Minister David Lange himself—were determined to adopt a much more independent stance. They would no longer automatically support their friends and allies, such as the U.S. and Australia.

Foreign policy changes

DAI HAYWARD
Wellington

They were also anxious to develop much closer liaison with countries in Africa and the Pacific.

One plank in Labour policy which was to have almost immediate and traumatic results, causing a rift between it and the U.S., in particular, was the party's long-standing anti-nuclear policy. This was not something new. It had been part of Labour's policy and endorsed regularly by the party's annual conference, for more than a decade.

Back in 1973, the second Labour Government, under the late Prime Minister, Norman Kirk, made world headlines when it sent a New Zealand frigate into the French nuclear test area at Mururoa. On board was a Cabinet Minister, the Hon. Frasor Coleman, selected in a ballot of cabinet ministers to make the trip as a representative of the Government.

The move was seen by many other governments as a Quixotic gesture which could achieve little but which reflected in a harmless way the general unease at nuclear testing.

Protests

To New Zealand, however, and to the Labour movement, in particular, it was much more than a harmless Quixotic gesture. It was a definite statement and an anti-nuclear stand which the country hoped might achieve some easing of the nuclear threat, by focusing worldwide attention on the Pacific nuclear tests.

Because the protest was aimed at France it did not directly concern other countries and required no change in the policies operated by the Anzus partners—Australia, New Zealand and the U.S.

The French continued their nuclear testing in the Pacific and successive New Zealand governments—including the national government of Sir Robert Muldoon—have regularly made routine protests to Paris.

Immediately prior to the July election, the partners in the Anzus Defence Treaty were scheduled to meet in Wellington. Indeed, the meeting between U.S. Secretary of State, George Schultz, and Australia's Foreign Secretary Mr Haydon, and the New Zealand Government, opened on the Sunday—less than 24 hours after the Saturday election which saw Sir Robert Muldoon's Government swept from office in a landslide Labour victory.

The New Zealand ministers who attended that Anzus conference were in a political limbo—they were still legally cabinet ministers in a government which had been thrown out of office.

Labour's pre-election comments had re-affirmed its anti-nuclear policy and declared that nuclear weapons would not be allowed into New Zealand.

The Anzus conference, possibly encouraged by the New Zealand representatives for partly political motives, raised the question of nuclear ship visits by the American Navy. This was left with a question mark to be settled in the New Year.

There seems little doubt that the Americans believed the anti-nuclear policy would be followed more in the spirit than the fact. That misjudged the strength of the New Zealand attitude.

It also seems possible that Mr Lange misjudged the strength of the Left wings of both the New Zealand and Australian Labour Parties. When the Americans first asked to send a naval vessel to New Zealand in the New Year, Mr Lange declared that New Zealand would not allow a nuclear-armed ship in a New Zealand port. There were indications, however, that he, and the Government, might accept a nuclear-powered ship.

The Americans could probably have lived with this compromise which would have allowed them to retain their stand of neither confirming or denying whether any particular ship carrier nuclear weapons.

However, the hard-line Left, including some members of Mr Lange's own Government, pushed for a much stronger stand. There are suggestions that they combined with the Australian Left-wing to maintain the pressure and a call for a complete anti-nuclear ban.

In the end, Mr Lange had to adopt this extreme stand. The anti-nuclear ban was applied to nuclear-powered ships, as well as nuclear weapons. It also applies to nuclear power electricity stations in New Zealand.

The U.S., stung by the rejection of its request to send a navy ship, over-reacted. There were threats of trade bans, of restrictions on New Zealand exports to the U.S., the removal of friendly support by the U.S. Administration against efforts to shot out New Zealand dairy and other products. There was also strident condemnation of New Zealand from various American politicians and officials.

Pressure

The heavy pressure applied against the New Zealand Government, and against Prime Minister Lange personally, undoubtedly had a counter-effect and did more to rally uncommitted New Zealanders to the anti-nuclear cause.

Cities, towns, urban areas and even a church have declared themselves to be nuclear-free zones. Now, more than two-thirds of the country's population live in official "nuclear-free zones."

Despite American refusal to take part in planned Anzus exercises with New Zealand and its cancellation of several joint meetings in which New Zealand and Australia were to take part, the New Zealand Government does not consider the Anzus Treaty to be ended.

Mr Lange repeatedly argues that the Anzus Pact can only be terminated by one of the partners withdrawing from it. New Zealand has certainly not withdrawn from Anzus—and neither has America or Australia, officially. New Zealand, says Mr Lange, has simply said it will not have nuclear-powered warships in its ports. He stresses that visits from conventionally-powered American warships will still be very welcome.

The New Zealand Government sees its anti-nuclear policy as a logical one. There is already agreement to keep nuclear activity out of the Antarctic and, as the nearest country to the Antarctic, New Zealand believes it could be the base for making the South Pacific nuclear-free.

Mr Lange and several other Cabinet ministers have visited some of the Pacific island states as part of the drive to establish a closer rapport with New Zealand's smaller neighbours in the Pacific. They have encouraged Pacific islands, who are also concerned about nuclear testing and nuclear fall-out, to follow New Zealand's stand.

In August, the leaders of the Pacific island countries will meet for the South Pacific forum. It is expected that a South Pacific treaty supporting a nuclear-free zone will be adopted by many of them. Major powers, such as Britain, the U.S. and France (which all have territories in the South Pacifi and which are all nuclear countries) will be asked to respect the South Pacific nuclear-free treaty.

Meanwhile, the continuing nuclear tests by France at Mururoa continue to attract the strongest opposition and condemnation from Mr Lange.

In May, when France exploded its biggest blast since underground testing began at Mururoa in 1975 (an explosion of 150 kilotons strength), the New Zealand Prime Minister declared there was absolutely no justification for this continued research.

Mr Lange has suggested that if the Mururoa tests are harmless, as the French authorities claim, then the tests should be moved to the French mainland.

On the non-nuclear front, the Labour Government has done more to establish closer contact with African countries than any previous New Zealand government. Earlier this year, Mr Lange made a lengthy tour through various African states.

He was able to explain how the New Zealand Government had done everything possible to prevent the All-Black rugby tour of South Africa and that in a democracy like New Zealand it is not possible to withhold visas or ban the players from going.

The New Zealand position was certainly better understood by the African governments—and Mr Lange is hopeful his efforts will avoid repercussions against New Zealand at the Edinburgh and Auckland Commonwealth Games.

The Government intends to open a diplomatic post in one of the front-line African states—this move will be a first for New Zealand. The chosen state will probably be in Zimbabwe.

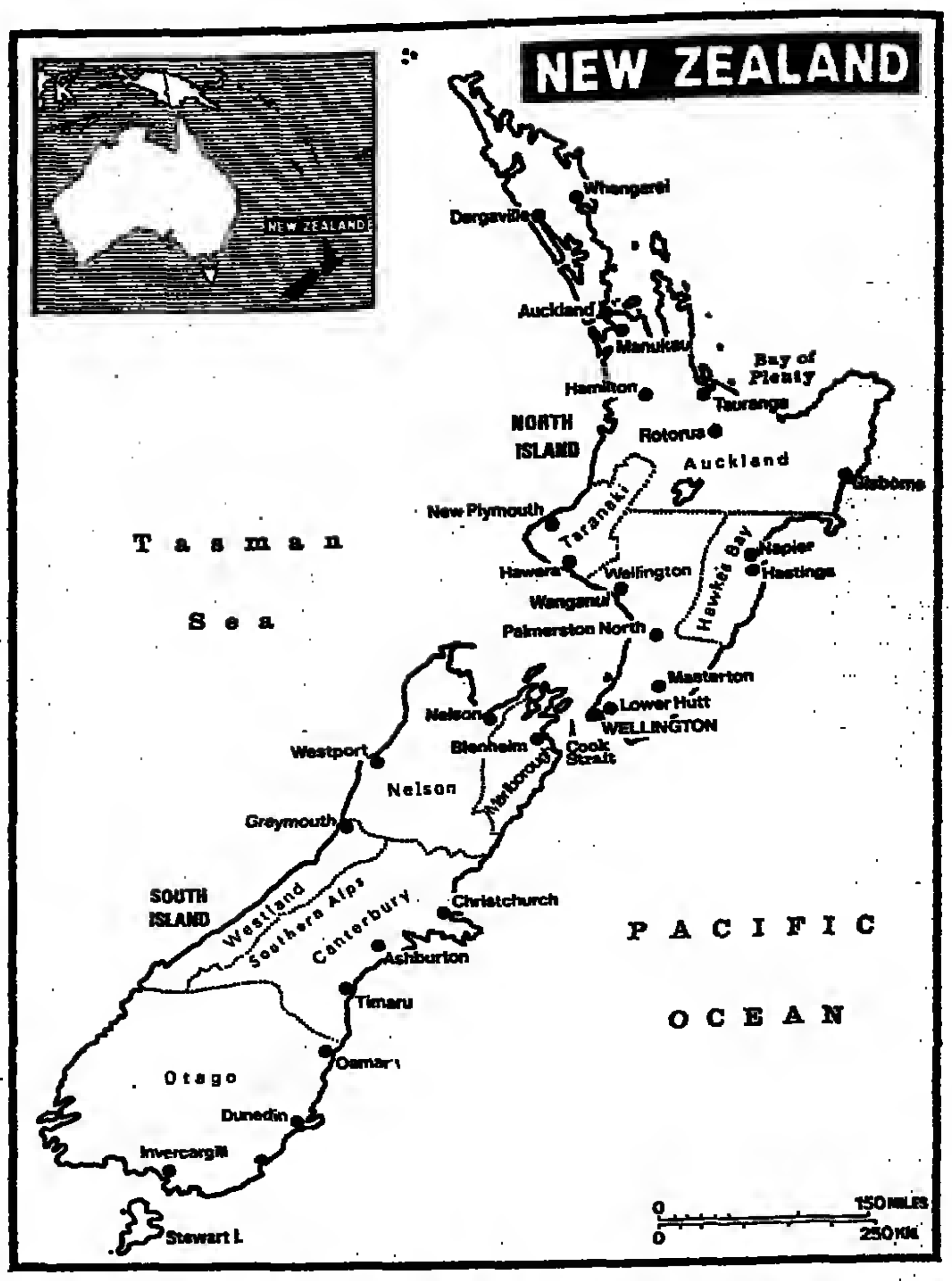
African aid

New Zealand has also stepped-up its aid programme to African countries. The Government and the public joined in sending a food relief ship to Ethiopian drought victims — a project initiated by a group of trade unions who arranged for the vessel to be crewed by volunteers.

Because New Zealand is expanding its ties into new areas and developing a more independent stand in foreign policy does not, however, mean it is weakening its links with Britain and other Commonwealth countries.

It has re-opened the New Zealand High Commission in India after an absence of more than a decade. The choice of Sir Edmund Hilary, the conquerer of Mount Everest, as the new High Commissioner is widely regarded, in both New Zealand and India, as an inspired appointment.

In world terms, New Zealand is a small country, but the Labour Government believes that an independent stand, coupled with a greater understanding and sympathy for the poorer nations of the world will win it greater respect and influence in world affairs.



Strong passions aroused

The All Blacks controversy

MICHAEL THOMPSON-NOEL

Rampaging All Blacks forwards, John Ashworth, Murray Mexted and Mark Shaw (with ball) burst upfield as English scrumhalf Nigel Melville makes a vain attempt to tackle in the 2nd Rugby test at Wellington this month. The match was won by New Zealand, 42-15. At right are the New Zealand captain, Andy Dalton (with headband) and Gary Whetton

FOR WEEKS, the correspondence columns of newspapers in New Zealand have been filled with diatribes on the two big social issues that are currently dividing New Zealanders — next month's tour of South Africa by the NZ All-Blacks rugby team, and the introduction in Parliament of a *Homosexual Law Reform Bill*.

Each has aroused vituperative passions, from left and right, of which a letter to the Dominion, in Wellington, on May 31, was an anguished example.

In the view of the writer, New Zealand today is a "superb multi-racial society," but one with a mania for self-criticism and disparagement.

"I think that the vast silent majority of true-blue New Zealanders have had a proverbial gutful ofthe protester type, including particularly those who make a career of it," wrote Mr Gordon Lewis of Wellington.

"This contribution of our beautiful country, of its values, history, and proud traditions, has got to stop. The vast silent majority should stand aside no longer while the real vandals ride roughshod, not only over the great old game of rugby, but also the most admired and revered qualities and achievements of the New Zealand people."

Arrests

On the other hand, the 1985 All-Blacks tour has to date generated mostly peaceful protests and few arrests—certainly nothing like the howling violence which marked the South African Springboks rugby tour of New Zealand in July-September 1981, which, in 56 days, produced 205 demonstrations in 28 centres involving more than 150,000 people. Each of the three Tests involved unprecedented police operations.

There were close to 2,000 arrests. Police riot squads baton-charged crowds for the first time. What is normally one of the most tolerant and tranquil of the world's democracies was bitterly and utterly split.

And split it remains, though the circumstances of the 1985 and 1981 tours are hardly tha same.

First, the 1985 tour is a tour of South Africa, not New Zealand: there will be no need for the visiting players to be whisked through police cordons.

Second, New Zealand now has a Labour Government, not a National Party Government, and the current Prime Minister, Mr David Lange, while making clear his detestation of apartheid and bitter disappointment with the NZRFU (New Zealand Rugby Football Union), has spread oil on the waters by appealing for calm and lawful protests.

"You's got this extraordinary paradox," he told me. "You've got a Government and a people who have declared themselves opposed to apartheid, and yet you've got the national taam proposing to go off and give comfort and succour to a white minority elite which keeps itself there by force of arms.

"That's hard to explain. You can, in the end, explain it because we come from a country which has decided not to run our society as tha South Africans do—to give our people the freedom to travel and not to withhold their passports, and all these other things. But it's hard."

Sporting contacts between New Zealand and South Africa extend back more than 60 years. During World War I, Maoris were left on a troopship in Capetown while white New Zealanders played local whites.

The 1949 All-Black team included no Maoris, although by then protests were being raised: if Maoris were good enough to fight for their country they were good enough to play rugby for it. In 1960 there were huge protests when several great Maoris were excluded from the trials.

In the view of Mr Trevor Richards of the protest group HART (Halt All Racist Tours): "The campaigns of 1949-66 established two features of all future campaigns: tha often inflated and irrational hold that rugby football has on a large section of the community, and the considerable degree of racism which exists throughout New Zealand.

Rugby is New Zealand's most popular sport, and a branch of its religion. Sociologist Geoff Fougere says that unlike the arts, rugby grew easily and quickly in New Zealand.

Appeal

"Before we had anything resembling a national market, or even a very effective national state, rugby tied together the collection of localities and provinces into a national body," he says.

Mr Richards adds that rugby is a hard game appealing to a popular image many New Zealanders have of themselves—"in a country noted for not all that much, it allows many to hold their heads high, and in a field to which the 'ordinary bloke" can relate and understand."

As Mr Richards says, attitudes separating the pro- and anti-tour camps could be measured in light years. New Zealanders hava had virtually no contact with black Africans. They have tended to view South Africa, its people, and policies, through the eyes of white relatives, friends, associates and Government spokesmen.

Attitudes towards Africans are reflected in attitudes towards Polynesians, who are much closer to home and who suffer, within New Zealand, marked inequalities in life expectancy, child mortality, employment, education, and incomes.

Mr Fougere says that rugby will no doubt survive, and may even prosper—" but it will never again serve as the mirror to ourselves. That mirror, for better or for worse, has been shattered irretrievably," he believes.

Looking back on the 1981 tour, one of Sir Robert Muldoon's National Party MPs agrees that it strained New Zealand society to an extent that many would not have thought possible.

"Institutions were tested and survived. Peaceful protest was redefined. The tour catapaulted us to the front of the world stage, cast as a villain. It took us from an isolated complacency towards a greater maturity. In the long-term, we will not suffer serious damage, internally or internationally," he says.

There is a degree of airy confidence in that statement that could only come from a National Party MP. It may very well be misplaced.

Whirlwind of policy changes

Economic scene

MICHAEL THOMPSON-NOEL

SELDOM CAN a New Zealand Government have launched such a determined assault of economic privilege and precedent as the Labour Government of Prime Minister David Lange that won power 11 months ago. It is as though Labour had decided to wipe the slate clean, and purge all memory of the previous National Party Government's "timid gradualism" under Sir Robert Muldoon.

Labour—it says—inherited an economic crisis in which persistent fiscal and balance of payments deficits bad resulted in a crippling debt burden.

Rather than deal with the causes of inflation, claims Labour, Sir Robert tried to suppress its symptoms with unworkable controls and an overvalued exchange rate.

In contrast, Labour has introduced a whirlwind of policy changes aimed at fostering growth and structural adjustment. Controls on interest rates have been swapt away; the NZ dollar has been devalued and floated; Government stock tendering bas resumed; a new wage-fixing system was announced; a range of producer subsidies and export incentives are disappearing; significant tax reform is on the way; and so on.

Viewpoints

Although Labour claims to bave been shocked at the state of the books when it gained office, it is not wholly accurate to portray the New Zealand economy as drifting helplessly under Sir Robert and the National Party, because some form of structural re-ordering was underway long before last July's election.

This was a product of grim necessity, and in no way blunts Labour's claim that the Muldoon Government's style was chronically interventionist and *ad hoc*, or that New Zealand — under National — was toiling under a very centrally-controlled economy.

"It is Government by threat, jawboning and bluster in which parliament has no part," said Mr Lange in the run-up to the election, claiming that the improvisations of the Muldoon Government had produced the slowest nine years of economic growth in New Zealand's history, leading to the largest-ever increase in unemployment, the largest outflow of migrants ever recorded, a massive rise in overseas debt, plus a "deliberate and calculated undermining of New Zealand's social cohesion and racial harmony."

Conversely, it was Sir Robert's claim that the New Zealand economy had been constantly in recession since 1973 — that because of deterioration in the country's terms of trade it was taking four lambs or four bales of wool to buy what three used to buy in the 1960s.

A year ago, he said that his policies of the previous nine years had been aimed at "getting those four lambs, or four bales of wool, or their equivalent, and we are now getting them."

He spoke of New Zealand's considerable expansion in fishing, horticulture, and forestry; of the hoped-for expansion of tourism; of rising exports of manufactured products, principally to Australia, which is now a much more closely-linked trade partner; and of the so-called Think Big energy projects which he claimed would eventually yield about NZ$1.5bn a year net — about equivalent to dairy exports.

"A great slice of our increased debt," he claimed, "is directly the capital cost of our energy-based projects. But even what we have borrowed for balance of payments purposes will be serviced by the increase in our net overseas earnings. If you do this kind of arithmetic, we have no real problems, but of course one has to put a question mark over tha whole world scene."

Recently, Labour's Minister og Finance, Mr Roger Douglas, explained to a meeting of bankers in Frankfurt something of the background to Labour's economic policies, and the outlook for the economy as currently seen in Wellington.

He listed the following major problems confronting Labour when it took office:

- An economy which had been shielded from a permanent fall in the country's terms of trade;
- Large and persistent fiscal and balance payments deficits, leading to growing internal and external indebtedness;
- A rapidly expanding money supply and an accelerating growth in the rate of inflation;
- Historically high and persistent unemployment;
- A heavily-controlled economy with considerable inflexibility in major markets.

Labour's answer, he said, had been to try and combat its predecessor's excessive focusing on the short-term by taking a medium-term view that aimed to address imbalances and inflexibility.

Labour, he claimed, had introduced monetary, fiscal, and exchange rate policies that were mutually consistent. The desired result: better allocation of resources and a more responsive and flexible economy.

First, monetary policy. Labour's first action was its 20 per cent devaluation of the New Zealand dollar last July 18, which marked the start of a return—it claims—to economic policies "similar to those used by the rest of the OECD group of countries and a move away from the policies of the previous government, which in some areas were more interventionist and centralised than most of those in the Eastern bloc."

Interest rates

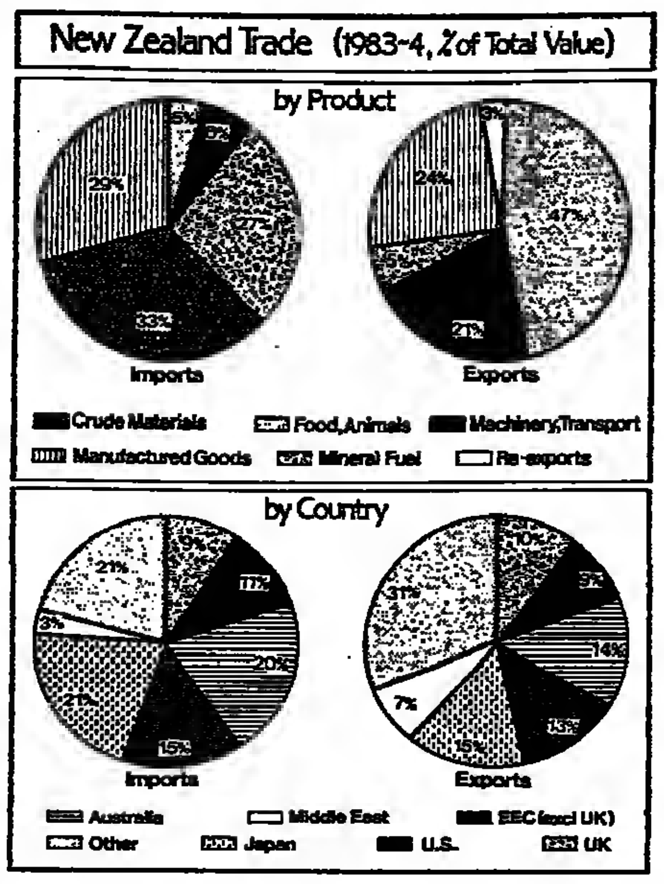
The devaluation was matched by the removal of interest rate controls and the introduction of an active Government debt-tendering programme to regain control of the money supply. In its most recent year, the New Zealand Government undertook net borrowing of NZ$ 2.7bn from the domestic market and net external borrowing of NZ$ 1.5bn.

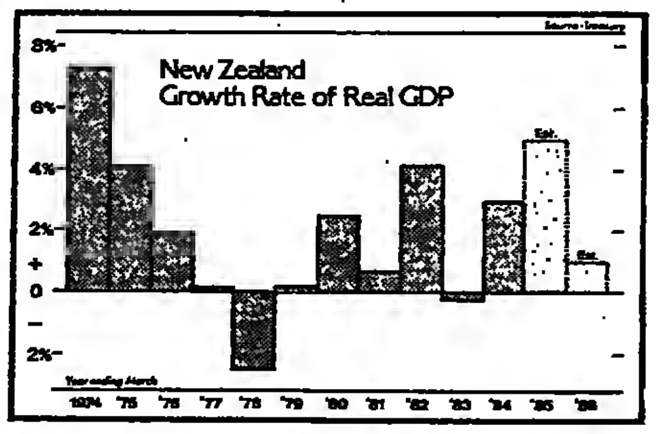
Interest rates have swept significantly higher in recent months, but are expected to ease as Government borrowing is reduced. New Zealand financial institutions are no longer required to hold Government stock, and foreign exchange controls were lifted in late 1984.

The exchange rate has fallen considerably. In April, 1984, the New Zealand dollar was worth approximately U.S. 65 cents. It was floated three months ago, and was recently worth around U.S. 45 cents. Soon after the float, it actually appreciated slightly.

In short, claims the Government, New Zealands monetary and exchange rate policies mark a "return to orthodoxy."

Second, fiscal policy. Says Mr Douglas: "The pressure monetary policy has been under in the transition (period) is illustrated by the rise in nominal interest rates since we assumed office. This is not a reflection of our deregulatory policies. Rather, it is reflection of a serious and successful attempt to fund the fiscal deficit in a non-inflationary manner."





New Zealand's budget deficit rose from 3.6 per cent of GDP in 1976-77 to 9 per cent of GDP in 1983-84. Similarly, in 1971, 8.7 per cent of Government spending went on debt-servicing, ballooning to NZ$2.9bn, or 17 per cent of total Government spending, in 1984-85.

In its budget last November, the Government sought to eliminate two-thirds of the current deficit by 1986-87. It pulled very few punches. The forecast fiscal deficit for 1984-85 was 7 per cent of GDP. More significantly, measures in the November budget, plus those already taken, were expected to provide savings of around NZ$1.1bn in 1985-86, and of NZ$1.8bn in 1986-87, quite apart from the net revenue from other tax reforms—including a goods and services tax—that the Government has in store.

Review

As a result, current forecasts are that the fiscal deficit will have been reduced to approximately 3.3 per cent of GDP, or lower, in 1986-87.

Reform of the tax system is a key feature of Labour's approach. At present there is excessive reliance on personal income taxation. From next April 1, New Zealand will have in place a broad-based indirect tax similar to VAT, though simpler to administer. At present, says the Government, the intention is to give back all the revenue raised this way in income tax cuts or other income support.

Third, resource allocation. For far too long, says Labour, New Zealand's producers have been shielded from market forces. There have been high tariffs and strict import quotas. Manufacturing exporters have enjoyed generous tax relief, and some major farm producers have been bolstered by minimum price support schemes.

This might have been alright when the exchange rate was overvalued; but with devaluation, the Government is boldly phasing out export support and import quotas, and has confirmed the end of agricultural subsidies.

Moves to reduce industry assistance were announced before last November's budget. On budget day, the Government unveiled cuts in farm assistance calculated at some NZ$433m in 1986-87, plus savings in forestry of NZ$67m in 1986-87.

It did not mince words: "It is essential that decision-makers recognise that a new environment will emerge as land-based industry assistance reform proceeds alongsida reform of industry assistance. Those who anticipate and plan on the basis of this new economic environment will be the most successful in adjusting to it."

In reviewing the Government's first 11 months, Mr Douglas says that adjustment has been rapid and not without costs, but that there is widespread belief that the time for timidity is over.

"The philosophical goals of this Government are similar to those of other Labour Governments around the world," he claims. "If there is a difference it is in the approach to the operation of the markets. We are not afraid of markets. We do not see them as something that should be suppressed."

Fourth, the economy at present. New Zealand has recently experienced very strong growth. Manufacturing capacity utilisation and building in the December quarter reached their highest levels since 1974, while there has been strong growth in employment. This growth reflects both strong external demand and buoyant domestic demand.

The outlook for 1985-86 is for a slowing in the growth rate as weakening domestic demand offsets continued growth externally. Reserve Bank forecasts of a few weeks ago pointed to a gain in real GDP of only about 1 per cent in the March, 1986 year, following growth of around 5 per cent in tha March, 1985 year.

Consumer spending is likely to fall by about 2 per cent. Real private incomes may fall around 6 per cent, and real fixed investment by about the same as spending on the big energy project tails off.

The value of exports in 1985-1986 is expected to grow by around 15 per cent, but the value of imports by only 3 per cent or so, leading to a projected fall in the current account deficit of the balance of payments from around NZ$2.5bn in the June 1985 year to about NZ$970m in the June 1986 year, about 2 per cent of estimated GDP.

The National Party leader, Mr Jim McLay, claims that when National wrests back power, it will have to contend with a labour legacy that includes enlarged state services, new Government departments, much higher social welfare spending, high inflation, and a Government deficit which—if reduced at all—will have been lowered by higher taxation rather than authentic spending cuts.

In its first 11 months, Mr David Langes's Government has made rapid progress in prodding the economy into a more competitive frame of mind; in dismantling controls, and in educating employers and workers, industrialists and farmers, to take a much more beady look at the world around them.

But there will be no miracles. As ever, New Zealand faces a very hard slog.

THE TIMETABLE OF REFORM

● 1984

14 July: General election held. Resulted in a change of Government, with Labour Party winning 56 seats, to 37 for National Party and two for Social Credit Party.

15 July: Foreign exchange market closed.

18 July: Most of the controls on interest rates introduced by the previous Government removed.
Devaluation of the New Zealand dollar by 20 per cent.

27 July: Government stock tendering programme resumed. Stock tenders in the rest of the fiscal year to March 1985 have since raised $3,087 million.

15 August: A programme to phase out export incentives and to increase access for imported goods into the country was announced.

23 August: It was announced that as from the end of September the special status accorded the four official short term money market dealers would be withdrawn.

30 August: Restrictions on the payment of interest for terms of less than 30 days as applied to trading banks, and the limitation to 3 per cent for ordinary savings accounts, were removed.

31 August: The 1 per cent per month credit growth "guideline" applied to main financial institutions was lifted.

12 September: The Government's three day economic summit conference commenced at Parliament Buildings.

13 September: A new wage fixing system was announced.

14 September: Three export credit assistance schemes administered by tha Reserve Bank were withdrawn.

10 October: The Reserve Bank announced its intention to engage in regular open market operations in order to smooth liquidity fluctuations in a manner supportive of the Government's overall monetary policy objectives.

8 November: Tha 1984 Budget foreshadowed major changes to the tax system. Major features were:
A range of subsidies and incentives for land-based and manufacturing industry were either removed or were set to phase out over a period of years;
Interest rates on Government funded rural sector lending were set to be progressively aligned with market rates;
Road user charges were adjusted to cost recovery levels;
The prices of state supplied electricity and coal were to be progressively increased to levels reflecting the full cost of supply;
Significant reforms for personal taxation were foreshadowed for the 1985 Budget;
A 'family care' package targeted specifically at low and low-middle income families was introduced;
It was announced that a goods and services tax would be implemented on 1 April 1986.

6 December: Negotiations of trend-setting award rates for the Metal Trades Union and Drivers Union awards were completed, with wage increases ranging between 6.4 per cent and 7.02 per cent.

20 December: All controls on both outward and inward foreign exchange transactions were removed.

● 1985

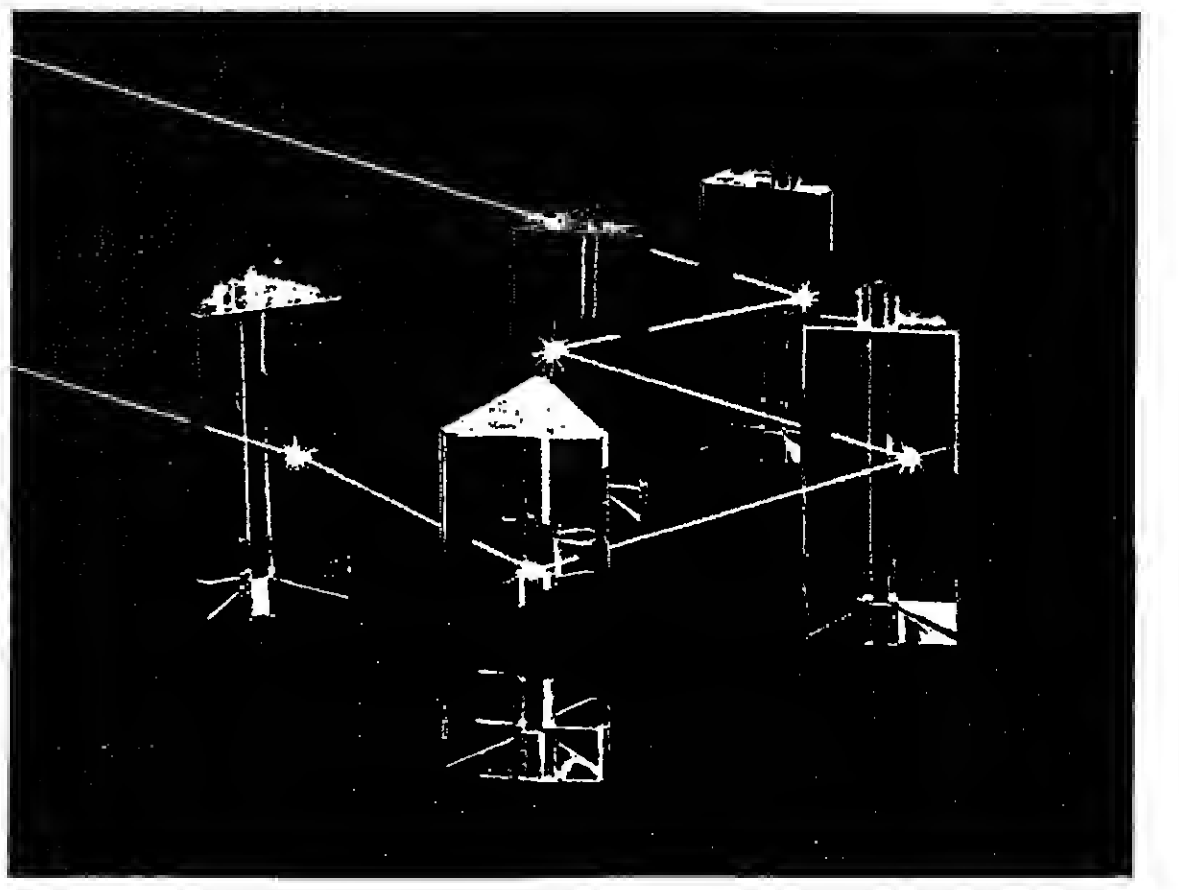
29 January: A Treasury bill tendering system began.

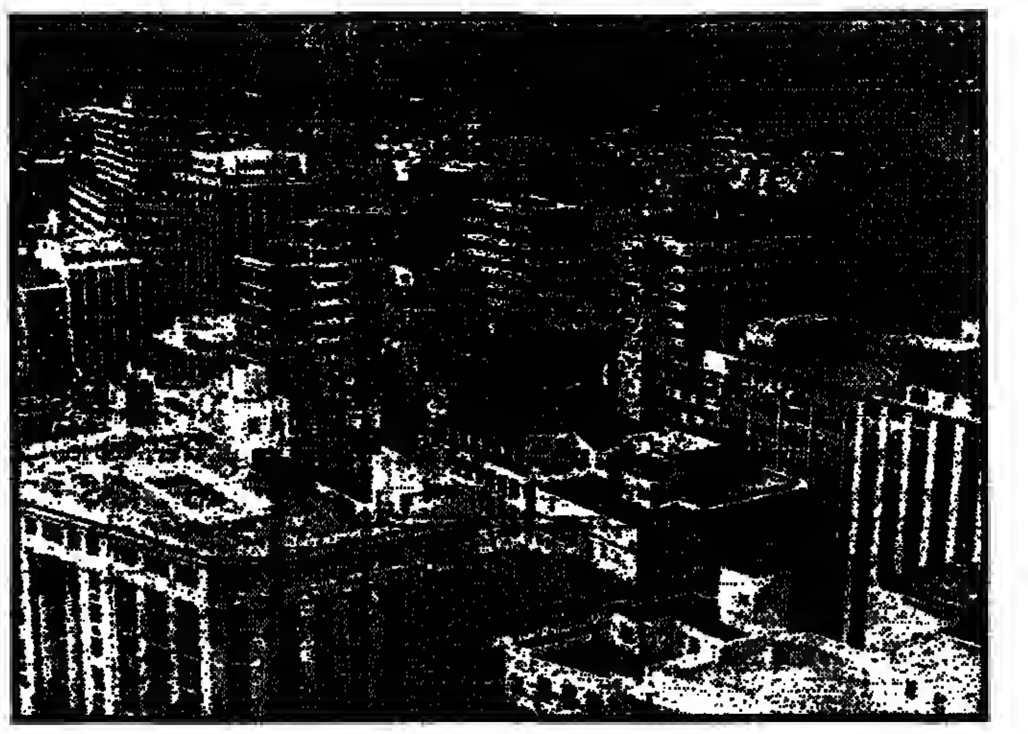
14 February: Ratios requiring financial institutions to invest in government and other public sector securities were *removed*.

2 March: The float of the New Zealand dollar announced.

29 March: A housing policy package was announced, designed to make first-home mortgage finance significantly more accessible to modest income families.

M.T-N.





Wellington (left), the capital of New Zealand since 1865, is the country's second largest city. Set on a magnificent harbour on the south-west tip of North Island, overlooking the Cook Strait. it has a reputation as a windy city.

MAIN TRADING SECTORS

● **Imports**

Main sectors: machinery (including electrical) and transport equipment (typically 30-35 per cent of total value), fuel (19.5 per cent 1979-80), chemicals (12-13 per cent), iron, steel, nonferrous metals (5-7 per cent), textiles, clothing, footwear (7-8 per cent), food beverages, tobacco (5-5.5 per cent), raw materials.

Main sources: Australia (1982 20 per cent of total value), UK (1983 9 per cent), U.S. (1982 16 per cent), Japan (1982 17 per cent), Singapore (5.7 per cent 1979-1980 from 2.0 per cent 1977-1978), Saudi Arabia (4.6 per cent 1979-80, 6.7 per cent 1982), German FR (4.5-6.5 per cent), Canada, Italy, Bahrain, Hong Kong, Netherlands.

● **Exports**

Main sectors: meat and meat products (typically 24-26 per cent), wool (16-18 per cent), butter (7-8 per cent), wood pulp etc (4-5 per cent), hides, skins, pelts (3.5-4.5 per cent), fruit and vegetables (around 2.5 per cent), casein (1.5-2.5 per cent), cheese (around 2 per cent), tallow, sausage casings.

Main destinations: U.S. (typically 12-16 per cent of total value), UK (1982 14 per cent), Japan (12-14 per cent), Australia (12-13 per cent), USSR (3-5 per cent), Italy (2-3 per cent), France, China PR, German FR, Canada, Netherlands, Fiji, Philippines.

Source: World of Information.

Four major areas of concern

Financial policies

DAI HAYWARD

THE New Zealand banking system, still struggling to fully come to grips with the unrestricted freedom to operate, which has followed the lifting of half a century of tightly controlled Government regulations, now has four major areas of concern or discussion. These are:

- The possibility of the Government allowing more trading banks to operate in the country.
- Whether the soaring interest rates have peaked—or at what figure they will level off.
- How to obtain the best advantage from a rapid expansion of modern banking technology.
- The need to adapt and operate successfully in the new highly competitive market.

An increase in the number of trading banks seems extremely likely in the foreseeable future — given the Labour Government's free market approach in trade and financial areas.

Many non-banking institutions and financial corporations are privately preparing to hid for permission to operate a trading bank, if the Government gives the go-ahead. There is also much behind-the-scenes lobbying to persuade Government, and particularly the Finance Minister, the Hon. Roger Douglas, to open up trading bank operations to new participants.

New Zealand has four trading banks — the Bank of New Zealand, ANZ, Westpac and the National. Trading banks do not need a licence, but Government permission is required for an institutioo to include the word "bank" in its title. There are also restrictions on issuing cheques.

If the Government decides to allow more trading banks it would probably do so by calling for applicaots and introducing a system of licensing to cootrol the number of trading banks allowed to set up business.

Mr Douglas has twice hinted — without going into details — that the Government *might* increase the number of trading banks. Some large coocerns, keeo to eoter the full trading bank field, have been pressing the minister to make an announcement on government plans, before the end of this year. It has also been suggested that up to 10 new trading banks could operate in New Zealand.

The lure of a trading bank operation appeals to many New Zealand and Australian financial organisations, merchant banks and leading companies already providing financial services to their clients or to the public. These include New Zealand's largest commercial operation, the Fletcher Challenge group, and Australia's Elders IXL. Australian and international banks would obviously also be keen to expand into New Zealand.

Some companies now active in the rural sector want a trading bank operation servicing their customers.

Existing trading banks have said little about possible increased competition from a number of new banking operations. The general manager of the Bank of New Zealand, Mr Bill Shaw, says his group would welcome additional compeition provided all had to compete on equal terms and no special protection was given to any newcomer.

The four existing trading banks have one major advantage over any newcomer. Between them, the trading banks jointly own Databank—a sophisticated, computerised clearing house system which recently invested more than $50m to add the latest banking technology to its already highly technical operations.

This gives the four banks a swift, efficient clearing system, the opportunity to develop the latest banking innovations — such as automatic teller machines (ATM's) and a base for the introduction of an electronic funds transfer/point of sale system, which they already operate on a widespread trial basis.

Existing trading banks have invested hundreds of millions of dollars in Databank over the past 15 years.

New banks setting up in New Zealand could not expect to have access to Databank or the benefits of its nationwide electronic data service at the same cost as the four founding trading banks.

This would obviously give existing banks a competitive edge. New Zealand banks and banking customers have accepted the new banking technology rapidly. The speed with which automatic teller machines have spread throughout New Zealand has surpassed that of most other countries. New Zealand could also be the first country to have a true nationwide EFT/POS system in which all the country's trading banks become on line to operate an EFT/POS service throughout the country on the same day.

During the past 11 months, New Zealand banks and financial services have become more fiercely competitive than at any time in their history. This follows the widespread removal of controls, restrictions and Government regulations by the Finance Minister, Mr Roger Douglas, who believes firmly in a free market system in the financiel sector.

One result has been to squeeze margins but the banks have accepted the reality of lower profits this year as being part of the prices they must pay for the removal of controls which hindered their operations.

Another effect of the new freedom has been rising inflation (which Mr Douglas believes will level off this month), and soaring interest rates. Merchant banks and finance houses are now offering the public 20 per cent and above for one year deposit money.

Rising costs

Mortgages, credit card interest, hire purchase credit and loan money costs much more. Even five-year Government stock carries an interest rate of 20 per cent with 90-day commercial bills at 25 per cent and hire purchase interest reaching 30 per cent.

Merchant banks, finance houses and building societies have introduced a wide range of marketing ploys to persuade investors, particularly the small investor, to place their funds on deposit. These include monthly draws with the chance of doubling the size of the deposit and the offer of eighteen per cent on passbook savings, which can be withdrawn on call—compared with three per cent on Post Office savings banks and ten per cent from trading banks for similar type deposits.

New Zealand's high interest rates have attracted overseas investors—particularly in NZ Government stock. Japanese dealers have said the current New Zealand Government rates of 20 per cent are probably the best available in the Asia-Pacific region.

Under the encouragement of new Postmaster-General, Mr Jonathan Hunt, the Post Office Savings Bank has also become more keenly competitive and market orientated. This year it has introduced a range of new deposit facilities, offering different ioterest earning rates, to attract and hold POSB depositors.

At the beginning of June, finance houses and banks suggested interest rates were levelling off and would start to decline before the end of the year.

As part of its economic policy, the Labour Government is determined to maintain extremely tight liquidity and this, too, is helping push up interest rates. Mr Douglas has made it clear, in talks with various financial institutions, there will be no easing of the tight liquidity situation until the huge Government deficit is substantially reduced. There are indications that the Government is already having some success with this.

The past year has seen a big expansion in the number and scope of operators in the financial services field. The removal of foreign exchange controls—giving New Zealanders the freedom to move funds overseas for investment or share buying for the first time in nearly 50 years—helped attract more financial operators and foreign exchange dealers. The banks have also expanded their range of services as part of their new competitive attitude. The customer has become much more important and is being wooed—not only by banks but also by finance houses and merchant banks — to a far greater degree than he was just a few years ago.

New players enter the take-over scene

Investment climate

SPECIAL CORRESPONDENT

NEW ZEALAND'S corporate investment climate has been punctuated by a Star Wars-like profusion of take-overs.

Since the heady days of late 1983, when the local sharemarket witnessed the climax of take-overs in a confusing array of assaults on major corporates, the pace has not let up.

While Brierley Investments—the take-over king which has been chipping away at Venerable Enterprise since the 1960s—retains its reputation for the most expertly executed moves, it now faces e host of competition from the newer players in the field, as well as a more aggressive epproach from some of the older players. Some New Zealand groups have been gripped by take-over fever.

The 1983 manoeuvres saw the emergence of a new big-time corporate name in the form of Goodman Group. When it, and Associate Wattie Industries (the two companies heve substantial cross-shareholdings) decided to take 25 per cent of New Zealand Forest Products, NZFP, the wrath of the latter's chiefs was vehement.

NZFP struck back with a counter-bid for Wattie, seeking all of its capital, apart from Goodman's, effectively allowing Goodman to be locked in.

Questions

When Brierley emerged with 10 per cent of the capital, selling to the Government agency, the Dairy Board, and extracting a substantial fee from Goodman for protecting its Wattie investment, the Commerce Commission began asking qoestions, as did the Securities Commission.

The Commerce Commission is concerned with protecting consumers against monopolies and oromoting free competition. Bot in reviewing the events of 1983-1984, it raised the question of the relative structures of the Goodman and Wattie hoards.

Half of each board has common directors, with both companies directly competing and, in many cases, dominating sectors of the feed industry.

Inherent in the commission's argument is whether groupings of companies, linked by directors and shareholdings, may be acting—for all intents and purposes—as one company, even though their formal structures belie this.

A newer trend, following on from the events of 1983, are *protective cross shareholdings.* Two major Wellington-based companies, Crown Corporation, incorporating the former Dalgety NZ's interests and Cable Price Downer now have significant cross shareholdings allowing them some respite from constant rumours of take-overs.

By aligning themselves closely, the boards of the two companies moved to protect themselves from the raft of hungry take-over specialists who view acquisition as the quickest and easiest way of amassing size and economic power.

The biggest New Zealand *take-over*, in cash *terms*, is the current Carter Holt bid for Alex Harvey Industries. AHI was 56 per cent-owned by Australian ACI International, which last year sought to take out the minority shareholders. Other Australians, such as Cunlop, had already successfully moved to do this with their New Zealand subsidiaries. But just prior to Christmas, the New Zealand Government rejected the proposal, arguing the case of foreign control of local enterprise. Then Carters moved in.

Carter's hid, worth NZ$551m. has been agreed to by ACI, and if minority shareholders accept —they include NZFP which holds 10 per cent following a successful stand in the market, enough to stop a full takeover—it will put Carter into the top five companies. New Zealand's heavyweight corporates are now either embroiled in aggressive schemes to acquire *others*, or are anxiously protecting themselves from assault. Of the top 30 or so, about two-thirds are playing strongly attacking or defending roles.

Fletcher Challenge has just made a one for three bonus issue, coupled with a generous staff issue of 10 per cent of its increased capital, in what is widely perceived as a protective measure in view of its wide-open shareholding register.

NZI Corporation, in e similarly exposed position, has swepped directors with Brierley Investments, and must see BIL as a useful ally to have in un*certain times.*

Fellow insurer, National Insurance, facing aggressive buying from McConnell Dowell Corporation, has just completed e cross-shareholding arrangement with BIL associate City Realties, a fast-growing property investor.

Feltex, one of the longest-rumoured take-over targets, has fallen under the cootrol of new merchant bank, Equiticorp, after its sister company, Chase Corporation, took an initial stake. The two spearhead a group of aggressive Aucklanders who have just formed a speculative lovestment company with the objective of taking corporate positions for profit.

BIL's tentaclas spread ever wider, through its merger with the fellow investment company, Bunting, it ecquired e controlling stake—and is buying more shares—in the building products company, Winstone and has just bought 40 per cent in a brisk on-market raid of the motor distributor group, Emco.

Waitaki, the largest meat processor, has just had e slice of its capital bought up by Brierley, even though Wattie already held 25 per cent.

Tourist and transport operator, Newmans, is a quarter-owned by Goodman, which just had its bid rejected for a stake in a fellow tour operator, Mount Cook group.

The transport company, Freightways, has just experienced a successful management buy-out, while Yates Corporation has cashed up its pastoral interests through the sale to Goodman Associate, the Australian Elders IXL, and has come under the control of Equiticorp.

Rumours

Among the few top companies left, such as the retail chain operator, Farmers Trading Co., and the carpet and packaging company, UEB Industries, there are persistent rumours of take-over or partial takeover.

Very few companies appear ebove the risk of take-over. Brierley, because of its unique management expertise and its immense shareholder loyalty, is one. But, in the main, unless a company has a large part of its capital held in friendly associate company, board or management control, it is fair game.

Even the smaller companies are playing et the take-over game, with their targets being more suitably capitalised corporates. The New Zealand corporate scene appears to be nearing a situation that was forecast by the BIL chairman, Mr Ron Brierley, e few years ago. He foresaw the emergence of e sharemarket dominated by a relatively small group of companies, each intertwined with a number of others, each controlling groups of corporate activity.

All this frenetic take-over and merger activity has assisted in hoosting shareprices higher, and pushing the main indicator, the Barclays' Industrial Index, through the 1600 level in May.

With mora sober trading companies recognising the merits in buying into existing businesses, rather than expanding or starting *new enterprise*, there is little indication of the trend ending.

But eventually, official questions will be asked about the control of more and more assets and enterprises resting in fewer and fewer hands. The dilemma then will be to decide, firstly, whether such an occurrence is wrong and, if so, what to do about it?

Proposed changes bring chorus of protest

Taxation

DAI HAYWARD

NEW ZEALAND is engaged in a major restructuring of its taxation system—but this is not being achieved without considerable anguish and protest from different sectors.

Much of the protest comes from those who, before the Labour Government came to office last July, were calling loudly for radical changes to the tax laws, but who now want to preserve their own special tax privileges and benefits.

The Government is, however, already well on the way to implementing the widespread structural changes and prime minister, Mr David Lange, is adamant it will not be diverted from its planned course, even if—as could easily happen—the Government loses the former safe seat of Timaru in a by-election on June 15.

In simple terms the restructuring will place far more emphasis on indirect taxation and abolish tax incentives. But this involves much more than introducing sales or indirect taxes—New Zealand already had a high level of those.

The background to the changes reflect the way the burden of New Zealand tax has increasingly fallen on the individual taxpayer while at the same time various governments have provided generous tax saving incentives over the years to the farming, manufacturing and exporting sectors. Some of the tax incentives, especially to the farming sector, could often be seen as political vote catching schemes.

The maximum tax rate paid by New Zealanders was not only one of the highest in the world but it was applied at one of the lowest income levels.

Forced to take heed of the rising clamour against the taxation levels, the former government raised the income level at which maximum tax rates applied. Despita this, New Zealanders earning NZ$38,001 a year pay 60 cents in the dollar income tax.

Even lower paid income earners, receiving between NZ$16,000 and NZ$25,000 are losing 30 per cent of this to the tax gatherer. One effect was widespread tax evasion, and an army of accountants devising tax avoidance schemes to take advantage of some of tha many incentives available to farming and other industries. At the same time, company executives and higher paid staff were more interested in employment packages that provided company cars, cheap loans and other tax-free benefits than they were in receiving a salary increase.

Many of the country's largest companies legally avoided paying millions of dollars of tax each year by taking advantage of export incentives, tourist development taxation relief, farm development tax concessions and many other Government approved schemes which reduced their tax liability.

It was not unknown for companies making up to a million dollars profit to pay virtually no tax because of the tax relief gained through one of the incentive schemes.

Anomalies

A survey of major companies highlighted the tax anomalies created by these schemes—particularly the export tax incentives. Five of New Zealand's largest companies produced combined profits totally of NZ$432m. However, tha total combined tax bill of these same five companies was only $43m or just 10 per cent of their profits. Workers in their factories or offices were paying a much higher tax rate than 10 per cent.

One of the country's best-known companies not only made a profit of NZ$148m last year but then also received another $20m from the Government in the form of investment allowances. Results such as these added to public criticism of tha tax structure.

Before the July election, the Labour Party promised to reform the tax system and it has wasted na time in starting doing so. Within the first nine months it has swept away or put a deadline within the next year to abolish subsidised export tax incentives and most of the farming sector's tax concessions.

It has also introduced a fringe benefits tax—hitting company and individual perks, such as company cars and it has prepared a goods and services tax—the New Zealand version of a value-added tax, to come into force next year.

Both have features unique to New Zealand. In the case of the fringe benefit tax, the tax is not paid by the person receiving the benefit but by tha employer who provides it. The Government believes this is the most effective way of discouraging firms from providing perks or tax free benefits to staff.

The fringe benefit tax hits anything received by an employee which can be construed as a benefit available as a result of his employment. Areas brought into the tax net include cheap interest loans, the use of company cars—even for driving to and from work—subsidised holidays or travel, and even goods made by the company and available to employees at cost price.

The fringe benefit tax is levied at a rate of 45 cents in the dollar on the perceived value of the fringe benefit.

For motor cars, it is applied on a complicated system of 45 per cent on six per cent of the value of the car, levied to every day on which the car is "available" for private use. A salesman, taking a company's car home and working out of town, leaving home at 1 am Monday morning and returning at 5 pm on Friday night, is deemed to have the company car "available" for private use on four days of the week: Monday, Friday, Saturday and Sunday.

Already, tax experts and accountants have found a few loopholes to allow employees to continue enjoying the use of car without tha company having to pay the high fringa benefit tax.

The goods and services tax (GST) has created even more controversy. The proposed tax—probably of around 10 or 12 per cent—will be applied on the selling price of any article or service at each transaction involved from the original producer to ultimate consumar. Food and clothing will be included in the tax.

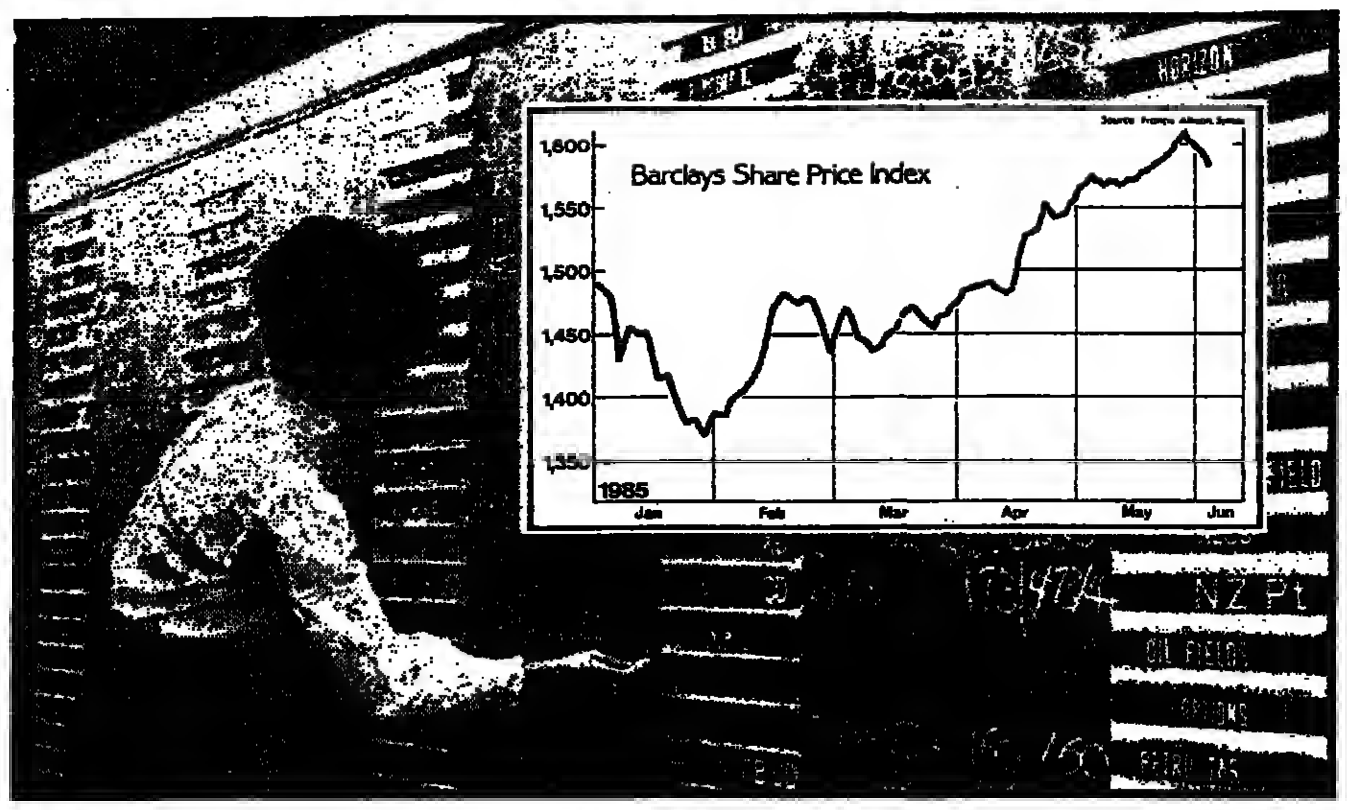
Mr Douglas argues that to exclude food and clothing will help the wealthy because the better-off buy more food and clothing than the poorer paid. It would also create legal arguments over definitions of various foodstuffs or stages of manufacture.

There has been widespread opposition to the proposed tax. Traditional antagonists — the trade unions and the farmers—find themselves on the same side in opposing tha GST. Practically every manufacturing sector has tried to justify why the tax should not be levied on their particular range of products. The biggest concern of many people, including the trade unions, is that the GST will increase prices and push up inflation.

Mr Douglas agrees the tax will increase inflation. The GST is the cornerstone of the Government's new tax structure and its commitment to provide a better standard of living for the less-well-off. It expects to gain more than $2bn from GST. It is committed to using half of this to reduce personal income tax—especially for the lower paid workers.

Despite the opposition, tha Government is determined to introduce the GST next April. It has not yet decided exactly what the rate of tax will be but it must be at least ten per cent to be effective.

New Zealand has a three-year election cycle. The Labour Government must get its policies operating, producing results and in the case of the goods and services tax, providing a cash surplus for the Government to introduce the tax cuts before the 1987 election.



Plenty of surprises in a volatile share market: a spate of take-over bids in the past six months has also helped to retain interest and activity in the sector

Market maintains steady growth

Volatile stock market

DAI HAYWARD

THE SHARE market in New Zealand which has been extremely volatile all this year, continues to produce surprises but generally pleasant ones for investors.

The first surprise of the new year was more of a shock when the market, ignoring the forecasts of a boost from Australian investors, plunged 8 per cent in January. At the close of trading at Christmas the New Zealand Barclays index was nudging the record 1500 point mark. Many thought the index would soon break that record. Instead it slumped to below tha 1400 point level.

From February, the index see-sawed for several weeks, with each rise being higher than the dips. In early April it once again took off—climbing from 1471 points to the 1600 point milestone on May 20—the highest point.

Profit-taking, or as some market analysts describe it—a technical correction—pushed the index down again until at the end of May it was at 1572 points.

The bullish trend was despite the extremely high interest rates now existing in New Zealand. Extremely sound investments linked with banking or finance houses will return over 20 per cent. Solicitor's mortgage money can earn 21 to 2' per cent, while the more adventurous can place their investment at 25 per cent or even higher.

This has sent many of the smaller investors out of the market so that much of the activity has come from the corporate sector. A spate of take-over bids throughout the past six months, and which are still continuing, have helped retain interest and activity in the market.

The market has also maintained its steady growth despita the movement of considerable investment money overseas, after the removal by the Labour Government of exchange control restrictions. For the first time since 1966 New Zealanders were able to freely buy shares on foreign exchange markets or make other investments.

In the early weeks, aftar the announcement at Christmas, it is understood there was a considerable flow of investment money out of the country, particularly to Australia, Hong Kong and Britain, which contributed to the January slump in the index.

At the same time there has been greater interest in the New Zealand sharemarket, particularly from Australia as Australian companies realise the advantages to them of the devalued New Zealand dollar and the relatively low share prices of many profitable New Zealand companies.

Australian investment, however, has added to the volatility of the New Zealand market. Brokers say it has been spasmodic. Rumours and movements in New Zealand's currency value has influenced Australian investment money. There have been noticeable flows in and out of the New Zealand market, reflecting expected currency changes.

Performance

The New Zealand dollar has, however, maintained its value extremely well since it was *floated earlier this year*. The predicted drop in the value of the Kiwi dollar did not happen.

Overseas brokers and investors who have started to study the New Zealand sharemarket have been surprised to discover that during the last five years it has performed better than any other major world market. In the past decade it was third in the total return given to shareholders.

In the last five years the average annual rate of return from the share market was 41.9 per cent. This compared with only 9.9 per cent in Australia, 12.8 per cent in Hong Kong, 14.8 per cent in the U.S. and 16.3 per cent in Japan.

For the same five-year period the average return from the UK stock market was 26.5 per cent.

Brokers expect the present volatility in the market to remain for some months as New Zealand is undergoing dramatic economic structural changes.

The introduction of the recent fringe benefit tax and the proposed goods and services tax—New Zealand's unique version of a value added tax—the removal of export and manufacturing incentives and the forecast economic downturn for the rest of this year will all create uncertainties and probably depress share prices in the short term.

Many companies which have made record profits for the March year or half-year are bracing themselves for a big drop in turnover and profits during the rest of this year.

If the Governmant's promised economic reforms and tax cuts can be implemented by about the end of this year the New Zealand share market should again be an attractive vehicle for both local and overseas investors.

Strong emphasis on efficiency

The farming scene

JOHN CHERRINGTON

THANKS TO a temperate climate, reliable rainfall and a high intensity of sunlight New Zealand farmers are probably the most efficient producers of meat, wool and dairy produce in the world. It is pastoral farming in its truest sense, relying on well-managed grass which needs but little supplement through the country'e short winters.

Exports of wool, meat and dairy products make up 60 per cent of the country's export sales, to which can be odded another 10 per cent for fruit, vegetahles and non-pastoral products.

Uotil the mid-1970s, farmers prided themselves that alone among the world'e farmers they succeeded without subsidies of any kind. Then the Government, desperate to raise foreign exchange earnings instituted an incentive scheme for higber production, and thie was accompanied by price guarantees, certainly modest by EEC standards but which became an essential part of farmers' returns.

These Supplementary Minimum Prices (SMP) opplied to meet and wool and in some years amounted to a third of total returns. There were also subsidies on interest rates, fertilisers and farm improvements.

● Although New Zealand'e export earnings for lamb have trebled since 1976, the volume of meat shipped rose by less than 20 per cent.

Iran is now the biggest customer and there have been sales recently to the USSR, Poland, Egypt and a growing number of Middle East countries.

The country's wool sector has benefited from the 20 per cent devalnation of the New Zealand dollar, plus the lift in world wool prices. Wool farmers also benefit from the fact that tbey deal in e high-valne, low-volume product.

New Zealand exports

(Year ended June—$NZm)

	1976	1980	1984
Meat	674.5	1,326.0	1,900.1
Wool	512.1	967.6	1,104.8
Dairy prodncts	473.6	810.6	1,444.4
Other animal prodncts	180.0	402.0	492.5
Pastoral products sub total	1,840.2	3,506.9	4,941.8
Other agricultural	61.1	269.8	607.8
Total agricultural exports	1,901.3	3,776.7	5,549.6
Forest products	197.6	501.2	674.3
Total primary	2,098.9	4,277.9	6,223.9
Manufactured and sundry	355.8	867.1	1,620.2
Total exports	2,490.5	5,144.8	7,844.1
Percentage of primary prodncts in total exports	84	80	74

As e direct consequence, sheep numbers increased by some 25 per cent as did the ontput of lamb. Part of this, however, was as e result of e reduction in beef cattle which farmers did not find as profitahle as sheep. The value of meat exports rose from NZ$590m in 1976 to NZ$1,900m in 1984 on an FOB basis. However, althougb earnings from exports trebled, the volume of meet shipped rose by less than 20 per cent. Wool production increased in line with sheep numbers.

Many farmers questioned the value of the subsidy system, in particular the infletion of land values which accompanied it, as both farmers and outside interests tried to cash in on cheap interest retes and guaranteed prices.

This was emphasised in a document published by Federated Farmers for the 1984 election which called for the removal of the distortions of the suhsidy system coupled with o parallel removal of the protection afforded the rest of the New Zealand economy.

The first part of their request was immediately granted by the Labour Government including the devaluation of the NZ$. By 1986 there will he no government-funded price guarantees, any support will have to come from the industry's own reserve funds. Interest rates will rise to market levels and so on.

Federated Farmer's president Mr Peter Elworthy believes that farmers should "set the way to hring sanity to the country's ecooomy." So far they seem to have eccepted the situation in a rather bemused state. But this is probably because they have had e good year.

It has been an excellent grass-growing season; prices have still retained an eppreciable element of SMP finance and have been further sustained by the 20 per cent devaluation of the New Zealand dollar, its subsequent float, and the eppreciation of sterling.

They are only just beginning to feel the first effects of the policy in increased prices for every input needed and they are expecting rather naïvely to see other sectors of the population submitting to the same disciplines. So far the euguries on this score are not very promising.

There have been strikes in the freezing industry and the rest of the population are not giving up their privileges and protection very willingly. There is a VAT measure and a perks tax in the pipeline, both of which will hit small employers like farmers. Sheep farmers have been warned that in spite of devaluation the returne from lamh and mutton are likely to be reduced next year.

A brighter prospect is wool, which benefited immediately from devaluation and e lift in world prices. Here the greot edvantage is that being e high value low volume product the return to the farmer is at present ebout 75 per cent of the price received in the terminal market as compared with ebout 30 per cent for lamh. Wool sales would equal those from sheep meat on most farms.

An expansion of wool sales does not seem very possible. Returns from the Merino wools are very good worldwide, but the areas where they can be grown are limited in New Zealand to the high country of the North and South Islands. Cross-bred wools could be increased, but only by increasing the sheep flock further and this would lead to even more problems on the meat market.

Dairy farming is no longer tied to the British market. EEC membership has practically wiped out British imports of New Zealand cheese and halved those of butter for which the quota is still falling. The New Zealand Dairy Board which for years has controlled all sales of milk from the farmgate to the wholesale stage in overseas markets has been successful in finding outlets for different products in other markets, but few of these have proved as reliable as was the UK.

There is the problem of dumped U.S. and EEC dairy products in many world markets, but the Dairy Board has up until now been able to share in measures to regulate this excessive dumping. There are fears now that neither the U.S. nor the EEC will be prepared to continne these arrangements permanently.

New Zealand dairy output hae increased over the past two years, but this is claimed to be as e result of good seasons and not of an increase in herds. In fact new producers are not welcomed, although there is as yet no quota system.

Thus the ontlook on the whole is far from promising particularly for those farmers who have borrowed heavily to become established or increase production. They will be slightly comforted by the float of the dollar, which has now fallen hy 32 per cent since June 1984 and so inflated the returns with which to eervice their loans. The costs of most of their inputs will, of course, continne rising inexorahly.

Many farmers still do not realise thot the British consumer is no longer free to buy New Zealand food and that a relationship which had endured for more than a century had been severed when Britain joined the EEC. They still cannot see why the grass and products they put on the market more cheaply than any other country in the world are denied access to many countries in order to protect inefficient producers in them.

Many of them have tried to diversify in otber directions, but few of these show the promise of replacing the basic pastoral products which are the country's speciality. In this situation, New Zealand farmers have no option but to soldier on, doing the best they can in the bope that one day the rest of the world will see the same economic sense as they do.

Roses for export to Los Angeles are loaded on board an Air New Zealand 747. The airline's export cargoes include a significant amount of fruit, vegetables and cut flowers

How micro-biology is helping the horticulture industry

ROSE GROWERS throughout the world have, for decades, seen their prize plants become stunted and withered by a plant disease called crown gall. This causes hord, woody lumps, or galls, to form on the roots or stems.

Once the galls have attacked a plant there is no practical way of getting rid of the disease, and infected plants must be destroyed. It is not unknown for 40 per cent of o crop to be uprooted because of the fast spread of crown gall.

New Zealand rose growers no longer heve this worry. The crown gall disease, which is caused by a bacteria, has virtually been elimineted in the country and is no longer a problem to professional growers, nurserymen or orchardists.

The elimination of crown gall is one of the success stories of the increasing use of micro-biology in New Zealand's important agricultural and horticultural industries.

Crown gall-first discovered in New Zealand in the year 1900—can also attack peaches, nectarines, raspberries, flowering plants and some other fruits, including kiwifruit, which is now a multi-million dollar export sector.

To protect their plants from the disease-bearing bacteria, orchardists and growers can innoculate new cuttings or seedlings with a different bacteria—which is harmless to man but repels the plant disease.

It is perhaps typical of New Zealand initiative and ingenuity thet the new cultures which protect multi-million-dollar orchids and plants are supplied from o small micro-biological laboratory employing fewer than 20 people, located in the ettractive apple-growing countryside near the provincial town of Nelson.

The "friendly" bacteria, which are grown and processed in the strictest of sterile conditions and equipment, are added to a fine sterile peat mixture and then packed in small plastic bags.

Each 160 gm bag contains 800,000m disease-fighting bacteria — enough to treat 7,500 rose cuttings or 2,000 peach stones.

For cuttings or seedlings to become inoculated, they are simply immersed in a suspension of the hacterie-holding peat mixture.

Mintech, the company which operates the micro-biology leboratory, recently invited the Government-operated hop research station to test its bacteriological cultures on bop plants. More than 10,000 plants were used in the trial. The incidence of disease was reduced from 40 per cent to 0.1 per cent.

The development of inoculants at this small laboratory has aroused overseas interest. Canode and the U.S. are both now evaluating the New Zealand micro-hiological processes.

Material prepared in New Zealend has been used in Canada in tests on peach eeedlings. The incidence of disease omong the plants used in the tests dropped from 40 per cent to less then 1 per cent.

Other micro-biological products developed to help the farming industry include a nitrogen-fixing bacteria. These, too, ere prepared in peot mixtures which ore mixed with water and edded to the seed.

Nitrogen is necessary for bealthy grass. By placing nitrogen-producing bacteria on the roots of the grass, the modern day fermer will get thicker, richer, more luxuriant grass, capahle of feeding more stock. This is important in today's farm economics.

New Zealand has been in the forefront of agricultural scientific development for many years and its pasture experts ere among the most expert in the world. Now the micro-biologist end his leboratory are also becoming important in continuing efforts to improve the health end production of the farming industry.

DAI HAYWARD

Gas-derived petrol at the pumps soon

NEW ZEALAND exported its first oil this year.

The shipments—to Australie—were the excess production from the new onshore local wells which could not he refined in New Zealand because the country'a refinery does not have sufficient capacity.

Although relatively small and temporary, the oil exports highlight the development of New Zealand'e energy resources and the effort to make the country less dependent on overseas oil.

Last year, the McKee onshore field came into prodnction. This has been developed by Petrocorp which was set up some years ago to develop New Zealand's energy resources, utilise its vast reserves of natural gas and operate ths various new industries based on the natural gas production.

As a partner with Petrocorp, and belping to share the exploration costs, the Government receives 41 per cent of the revenue from the McKee well, the first to be brought into production in what is now the McKee Field.

Tbe McKee oilfield, in Taranaki, which has become the centre of New Zealand's oil and natural gas industry, was brought into production within its estimated budget of NZ$70m. Production from the McKee field is 5,000 barrels a day, but this output will increase.

Petrocorp is e blend of public and private enterprise: Set up under the Companies Act, it functions as o private company with a board of directors oppointed from the business sector. However, 100 per cent of its shares are held by the Government.

It has four subsidiaries and two partly-owned companies. Its main activities are: oil and gas exploration, the development of oil and gas resources from the existing fields and the national distribution of netural gas throughout the country, the development of petrochemical industries and the processing of by-products from natural gas.

Its urea ammonia plant at Kapuni produces 155,000 tonnes of urea fertiliser a year—an important contribution to New Zealand's agricultural sector and already a valuable export-earner.

Although the plant operated et e loss for the first 18 months after it opened in May 1983, it expects to become profitahle, particularly if world prices rise. The chemical methanol plant, a joint project with Petrocorp and Alberta Ges of Canada (completed in late 1983) produces 1,200 tonnes of methanol a day. More than 90 per cent of this is exported as a raw material for industrial, petrochemical and plastics industries.

An Anstralian market for 50,000 tonnes of methanol has already heen developed.

Tbe possihility of producing e fuel for motor vehicles from methanol hae been studied in New Zealand for many years. As part of e Government-sponsored test programme, several methanol-fuelled vehicles are now on the road.

Although methanol has less than half the energy per litre of petrol, it provides greoter engine efficiency, so only ebout 70 per cent more methanol is needed to travel the same distance as a tank full of petrol. Clearly, there would bove to be e major price differential to make methanol an alternative to petrol in motor cars.

Energy policies

DAI HAYWARD

Before tha end of this year, some New Zeoland cars will be running on synthetic fuel—the first in the world produced from a new process converting natural gas to petrol. The huge plant at Motunui, costing around NZ$2,000m is a joint project between the Government and Mohil Refining of the U.S.

The process, never previously adopted commercially, converts natural gas to synthetic petrol. The project, owned 75 per cent by the New Zealand Government and 25 per cent by Mohil, has been condemned by critics as a costly gamble with a questionehle energy efficiency base.

As the project nears completion bowever critics have been less strident.

The cost of producing the "synfuel"—as it is known—will be comparahle to the cost of refining oil et New Zealand's Marsden Point Refinery — the scene of prolooged and costly industrial disruption.

Construction of the huge synthetic fuel plant will be completed in July. Production will start in October and the plant will reach full capacity by March next year.

The scheme bas attracted world wide interest and many international oil companies will be watching to see if this NZ$2bn (or more) experiment proves commercially viable.

If oll prices remain et today's level Motunui will provide the Government with NZ$180m in revenue eech year for the next 18 years—a totel of NZ$3bn. It will cut New Zeoland's bill for imported oil hy more than NZ$200m a year—a total saving of over NZ$4bn by the year 2003. Even if oil prices fall 10 per cent the synthetic fuel plant will still be viehle and hold its own against oil, say its supporters.

When it reeches full prodnction, Motunui will produce 570,000 tonnes of petrol a year. At today's consumption level this will supply one third of the country's petrol needs.

While natural gas and the hunt for oil have ettracted most attention in the New Zealand energy scene it is coal which is making o strong revival.

During the next 20 years coal will regain much of its former importance as o source of energy. The country has vast proven reserves of coal—sufficient at today's consumption to last for more than 400 years. However, a four-fold increase in coal production is planned over the next ten years. This includes the opening up of the biggest open cast mines ever developed in New Zealand.

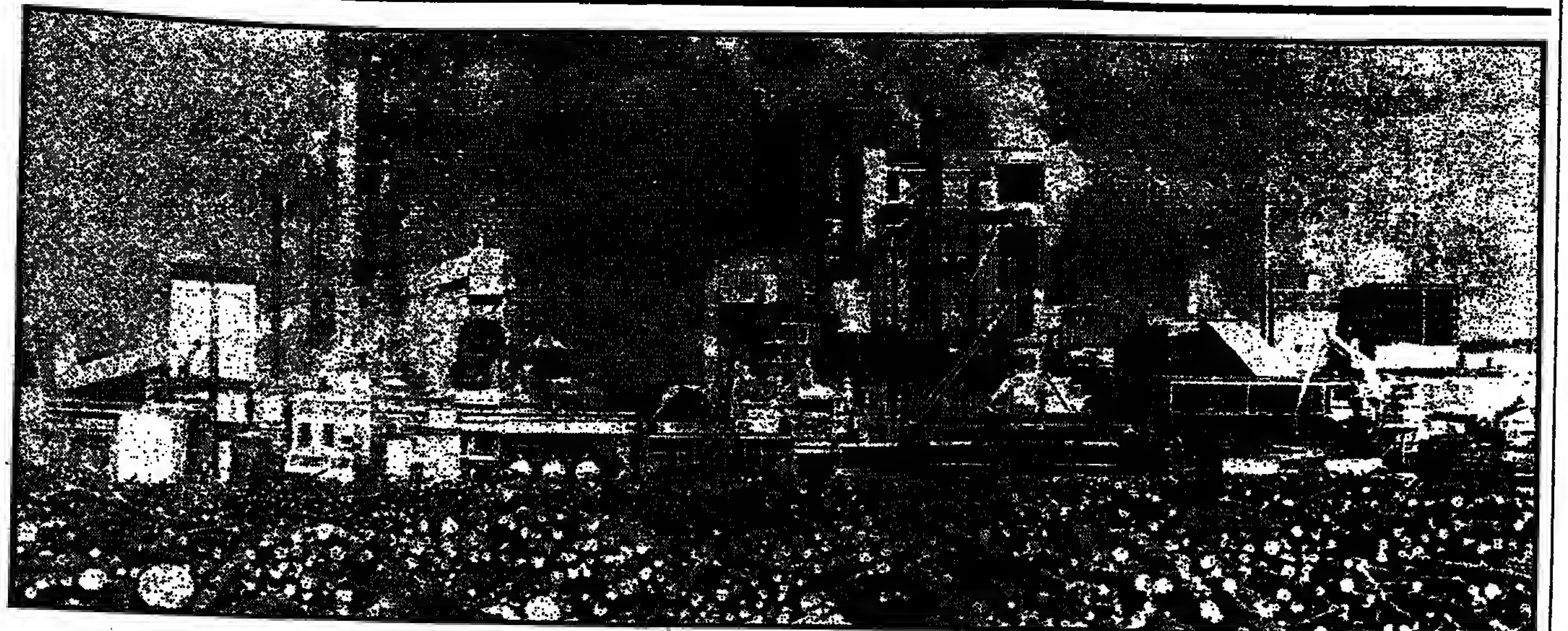
Some 2m tonnes of the increased production will be needed for the expanding New Zealand Steel mill and a new coal fired power station. New Zealand could also become a major exporter of coal, particularly to Japan and Korea. Japanese companies, Mitsui Mining and Khnematsu Gosho Japan, have been involved with the New Zealand state coal mines in a feasibility study to ship 2m tonnes of coal to Japan each year.

One of the problems still to be overcome is that of loading the ships. There is no deep water port on the West coast of the South Island, the area from where the exports to Japan would be mined. Local people are agitating for a permanent deep-water port, but the economics will prohably dictate the use of a slurry pipeline carrying the coal to ships anchored offshore.

Such a pipeline will need to handle 500,000 tonnes of coal a year.

The Government is also spending NZ$8m on a study to assess if the lignite coal in the huge Otago-Southlend area coalfields can be turned into liquid fuel. Surveys show this field bas proven reserves of between 5bn and 7bn tonnes spread over ten separate large deposits.

A decision on whether to turn some of this coal into liquid fuel will be mode next year.



Tasman Pulp and Paper Company's plant at Kawerau where 90 per cent of its kraft pulp is for export

Picture by Ashley Ashwood

Expansion calls for marketing skills

IN THE decade starting in 1990, output of timber from New Zealand forests will double—then it will double again between the year 2000 and 2020.

This four-fold increase in production will see the nation harvesting 40m cubic metres of timber a year. The need to find buyers for this increased tonnage of wood and wood products has suddenly come home to the forest industry.

Forestry

DAI HAYWARD

For 50 years, the emphasis has been on growing more trees—and growing them bigger and better. Now the State Forest Service has prepared a marketing strategy showing the privately-owned forestry companies bow it believes the country can best utilise its valuable forest resource.

Most of the increase in production will have to be sold to foreign markets. The State Forest Service bas taken a lead in planning the long-term marketing stratgey because it controls and harvests almost half of the country's vast man-made and native forests. It is a major supplier to the timber, and paper and pulp mills.

The pulp and paper industry will require more and more trees as the industry expands.

An example of the huge investment being made in forestry is the NZ$300m which New Zealand Forest Products—the country's forestry giant—is spending on current development. It is also planning to establish new mills in the 1990s.

The big Kinleith Mill, which produces 408,000 tonnes of wood pulp a year is in the middle of a NZ$220m expansion programme which will boost production by another 50,000 tonnes a year.

New Zealand Forest Products has 165,000 hectares of planted forest, including the huge 131,000 bectare forest supplying the giant Kinleith Mill. The other major forestry company in New Zealand, Tasman Pulp and Paper, now part of the Fletcher Challenge Group, also bas large reserves of native forest.

Last year, New Zealand Forest Products (NZFP) made a profit of NZ$110m—an indication of the size and efficiency of the country's forestry companies. Although world prices for wood have declined over the past months, the industry in New Zealand is confident they will rise again before the end of the year. Increased efficiency and modern technology has enabled the country's forestry industry to not only compete with overseas competitors, but to do so profitably.

One big advantage for the New Zealand forestry industry is that trees—especially the Radiata Pine—reach maturity much earlier than in many other countries. The Radiata Pine came originally from a small area in Southern California where it was regarded as a tree with no special merit and no great value.

Having been transported to New Zealand, it thrived, providing mature trees in just over 20 years and becoming the mainstay for the country's exotic forest industry.

The man-made forests cover more than a million hectares and new plantings exceed the amount of treea milled each year. Half of the 10m cubic metres of wood now produced annually is exported —earning 10 per cent of the total export receipts.

Export earnings

Within the next few years, forestry will boost its export earnings to more than a fifth of total export receipts.

While exotic planted forests are expanding rapidly, the supply of native timber is rapidly running ont. One of the most valuable of these—Rimu—is in big demand for furniture making and veneers. The handsome appearance of Rimu furniture bas belped the furniture industry to develop big export markets—particularly to Australia.

However, supplies of Rimu trees are becoming scarce and milling of this native tree will stop in 1990. This bas already drawn criticism from furniture manufacturers.

The decline in the country's native forests, which have been harvested—some environmentalists would say plundered—for more than a century has brought growing friction between tree-lovers and environmentalists, on the one hand, and the commercial forest interest on the other.

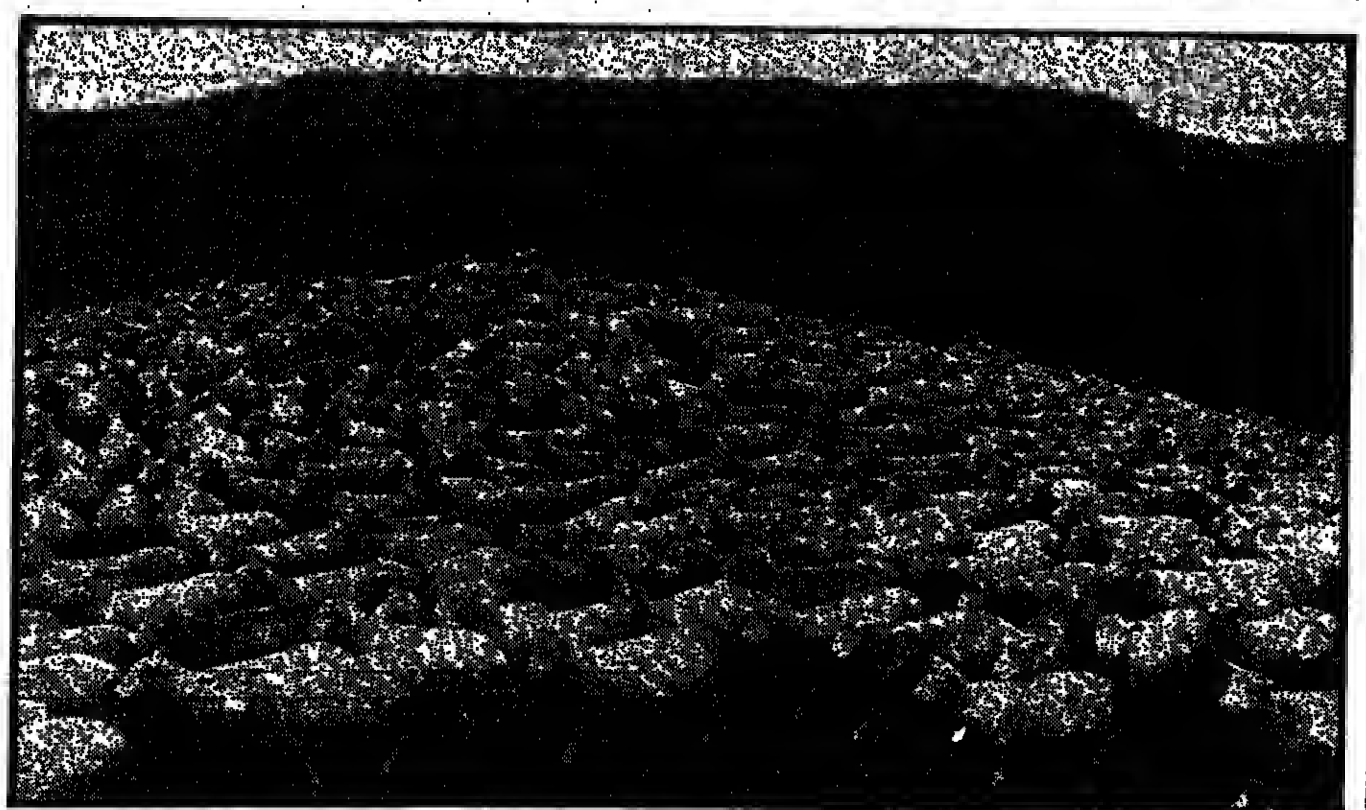
Mnch of the environmentalists' wrath has been directed at the State Forest Service which has control over most of the remaining native trees.

The conflicting demands of forestry and farming for land-use have also brought some tension between the two sectors, but the forestry industry stresses that it is developing large areas of marginally productive land including sand dunes and other areas not suitable for farming.

There is also again growing interest in the development of agro forestry — the grazing of animals beneath trees planted more widely apart than is customary in forestry plantations. New Zealand started this more than a decade ago, with some large public companies set up especially to develop the joint use of land.

However, although the concept seemed fine, the marriage of the two types of operation did not develop as fast as was originally expected. Now there is again growing interest in agro-forestry, although many farmers claim there is still not sufficient expertise available to ensure the best results and the greatest possible production from both operations.

In other areas of forestry prodnction, the country has developed special skills and expertise — and observers within the industry are confident that it will not only cope with the vastly expanded production but make an important contribution to the national economy.



Typical sheepfarming terrain. This is part of a flock of 2,500 ewes at Ngongotaha

Picture by Ashley Ashwood

Chill wind as subsidies go

Sheep farming

JOHN CHERRINGTON

WHEN BILLY SMITH'S father came back from World War II he was assisted into a 500-acre grass farm in rolling country in South Otago. It had been part of a much larger place taken over by the Government for soldier settlement and sold to his father on the easiest of terms. The fences, sheepyards and woolshed were just sufficient to handle the 600 ewes and their followers, at that time considered adequate to support a family.

Billy took over some 15 years ago, buying the farm from his widowed mother and making her his principal mortgagor. The farm now in effect had to keep two families, a matter of some difficulty as lamb and wool prices had remained fairly stagnant.

So he engaged a consultant whose budget indicated that he should increase his sheep flock, the main income provider. Under his father this had reached 1,000 ewes, this was now set to rise to 1,500 which, with replacements, meant that the farm would carry four sheep on each of its 500 acres.

Billy was his own shepherd, but in the New Zealand way he did not have to spend too much time with them. Sheering was by contract as was the spreading of the increasing quantities of fertiliser the farm needed. He spent a lot of time mending and adding to the fencing his father had laid down. Good permanent fencing is the key to success in sheep farming.

But the heavier stocking brought new problems. He had more lambs to sell it is true but the increasing numbers did not get fit to sell as easily as in his father's day of lighter stocking rates. So he had to grow turnips and other crops for fattening them. This was quite expensive and lamb returns were under pressure.

They still sold well on the British market but the cost of getting them there escalated. When he took over the farm he could count on receiving about 60 per cent of the price received at Smithfield London, but now it has fallen to just about 30 per cent.

In 1975 the NZ Government, convinced of the need of expansion of farm production began an incentive scheme which over the next ten years turned into full scale support for pastoral farming. Billy realised he must take part or get out of the business. So, with some trepidation he purchased a further 100 acres from a neighbour who was selling up and moved his ewe numbers up to 3,250 today; a total sheep flock with replacements of 4,000.

Higher borrowing

This meant an increase in borrowings, some at low interest under the incentive scheme from the Rural Bank. He paid rather more than he though wise at the time when he bought the extra land, but he was caught in an inflationary tide of land prices as farmers stimulated by the incentive scheme competed for land.

The big increase in ewe numbers means that none get individual attention. Like many farmers he has developed what are called easy care sheep. That is any ewe that suffers foot rot, fails to rear a lamb, ro needs help at lambing is ruthlessly culled. His lambing nowadays is no more than a patrol on a motor bik to pick up the dead and mark those to be culled. He has had to increase the fixed equipment of yards and wool shed to match the larger numbers, again with borrowed money.

The last few years have not been too bad at all. He has enjoyed a margin over capital repayments and interest rates and so increase his equity. He has been encouraged by the rise in land values. He has worked hard though and at the age of 50 wishes that this son were old enough to help him.

Suddenly he is facing a chill wind, all subsidies and price support are being removed. It is true that devalaation if it raises prices in local currency terms will look after his debt burden, but the cost of every necessary input especially when imported will be rising together with interest rates.

Were it not for his son he would be tempted to sell out while land prices are still holding and his equity is good. As it is his most likely reaction will be to stop all improvements and reduce his fertiliser inputs and let the farm carry on, fed by the fertility built up by ten years of very good farming.

There will of course be a slow fall in output but he thinks by not spending anything there will be a margin for living and covering his interest costs and essential repairs. One day he is sure things will improve.

Picture by Ashley Ashwood

More than 85 per cent of New Zealend's milk prod uction is used for dairy products, particularly butter, cheese, preserved milk and casein. The rest is consumed as liquid milk or used as stock feed. Above: an automatic milk bottle filling plant at the Hutt Milk Corporation

Climbing the farming ladder

Dairying

JOHN CHERRINGTON

THE TRADITIONAL way for a young New Zealander to take the first step on the farming ladder ie by share milking. There are three formal contracts enforced by statute. The first two are labour only, one where the berd owner gives the milker 29 per cent of total sales of milk and calves sold in return for full management of the herd while the owner does the essential farm work. Or the amount is 39 per cent and the milker does the farm work as well.

However, about 18 per cent of all berds ere on the 50 per cent basis. The cootract is short-term, from three to five years. Tbe milker owns the cows and pays the owner 50 per cent of the milk sales plus 50 per cent of calf eales. He does all the farm work and pays balf the cost ame spreading fertiliser. He guarantees to maintain berd numbers.

Eddie—only the name is fictional—is a share milker who has made good. Seven years ago he had NZ$5,000 and e car and for a year he milked for wages. Then with a loan from the Rural Bank added to his savings he bought a herd of 110 cows and ran them on a 100-acre farm in the Waikato area.

Such a size herd is well within one man'e capacity in the Waikato where the grass grows most of the year. The landlord provided the milking machine and the fencing by which the farm is divided into many small paddocks, each of which provide a day or two's grazing for the cows. There is little need for conservation or supplementary feeding. Nor is it e continnal grind.

The cows are dried off during the winter months, late May to early August, a time when he can take a rest, maintain his machinery and keep an eye on the stock.

After three years be took another contract on a 210-acre farm and doubled his herd size to 225. His wife helped him with morning milking but be did the rest of the work himself. As well as the milkers be ran 100 growing beifers as replacements of about 50 each year. These stocking rates are not high for this district and hie yields measured in kilos of bntter fat an acre are e good average.

His cows produce 150 kilos of butter fat which at this years price of NZ $3.81 equals $571 per cow, totalling NZ $128,000, giving him e gross income of $64,000 from which to service his borrowings, maintain his herd and machinery, pay back some capital, live and save. At present rate of progress he could see the end of his debt before long.

But be has not been content to settle for that. He had just bought a 110-acre farm for $3000 an acre. He has sold his present berd and is buying a fresh one of 130 cows for the new farm. His total investment is some $400,000 of which half will be borrowed. Servicing these borrowings, some at low interest rates, is going to cost $30,000 to $35,000, half his expected gross income.

He is budgeting very strictly and reckons that by living with his family on $8000 a year be will have a margin of $3000 for saving and repayments. He readily agrees that financially it would bave been more sensible to have remained a share milker. But be emphasised the inherent insecurity of a 3 or 5-year contract which he could lose at the end of the term. He was determined to he his own master and by skill, hard work and singleminded determination be has achieved it while still quite young.

Buyers at the Wiri Wool Store auctions, just outside Auckland

Picture by Ashley Ashwood

Good harvests but exports are threatened

Kiwi fruit production

JOHN CHERRINGTON

SIX YEARS ago Colin Macnab caused consternation in his family, grazers for several generations, by selling his sheep farm and buying a 5.5 acre orchard bolding near Tauranga on the West coast of the North Island. He could not see, he told me bow he would ever be able to survive with just sheep and cattle on the difficult farm which was his share of the family property.

From several hundred acres of grassland he moved to his present bolding, almost hidden by its shelter trees, essential in this area of high winds at barvest time. Two acres were planted to citrus, mainly mandarins, but three acres were laid ont to kiwifruit; Actinidia Chinensis or Chinese Gooseberry. The fruit is a brown or green rather hard-helled berry ebout the size of a large egg. Its flavour I find unexciting hut sliced it is most decorative in fruit salads, nutritionally it is claimed to be most valuable.

It is not an easy plant to grow successfully. Pollination entails a number of male plants and the process can be affected by bad weather. The best results seem to be if the vines ere spread over a system of pergolas about six feet above ground. In his case tha three acres were completely covered and the fruit in deep shade. Achieving the right degree of shade is a matter of constant pruning right through the growing season from November to May.

Pests and diseases flourish in the warm damp atmosphere and have to be countered by spraying up to 15 times in the growing season. Fertiliser has to be applied and the weeds cut and surrounding grass mown. Few gardens are better tended than this orchard.

Colin has had several advantages in this enterprise. He had sufficient resources to finance the purchase and development of the orchard without horrowings. His two acres of citrus kept the family while waiting for tha kiwifruit to come into bearing a matter of between three and five years.

He has adapted to the intensive system needed with enthusiasm. It must be a great change from the extensive sheep farming he was brought up with. The crop has to be monitored almost daily for success and being without paid labour he does it all himself except the spraying and harvesting which is contracted.

Harvesting is determined by the degree of ripeoess by analysis of the soluble solids of the fruit. Grading and quality control is by the NZ Kiwi Fruit Authority, a prodncer body end the marketing overseas ie in the hands of eix Commission agents. His output has reached 2,700 trays an ecre, the orcherd is etill maturing and his margin after all expenses of growing and marketing ie et 1983 prices some NZ$12,000 per acre. But as I said earlier he is clear of debt, which is not the general rule in Tauranga.

Danger signals

So far so good. But there are danger signals. New Zealand ontput is set to rise sixfold by 1990. Exports rose by 160 per cent between 1980 and 1984 but the growers price after all charges droped by 38 per cent. Not e good eugury. The Kiwi Fruit Authority recognises thie and edvises securing higher yields.

The market is dependent to a large extent on Japan, Germany and the U.S. which took nearly 70 per cent nf all exports in 1984. But by 1990 the U.S. and Japan will each be producing more than New Zealand did in 1984. So will Italy and probably France. Planting is also proceeding in Spain. New Zealanders provided some of these competitors with root stocks and even mede them a present of the name instead of trying to patent it.

I put these points to Colin but he seemed not to worry. He knew he was ebove average as a producer, be bad no debts to worry abont, and thus could live where others would starve. If the worst came to the worst his farm was zoned for subdivision, Tauranga is a prosperous retirement erea, and be would much more than get his investment back for housing sites.

Fresh Kiwifruit exports and values

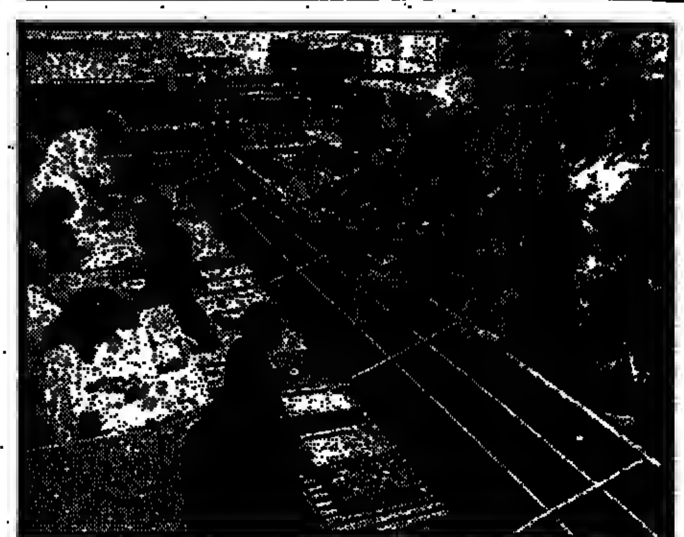
In constant NZ$

Year ended 31 March	Tonnes exported	Prices to growers per tonne	Prices FOB per tonna	Total value to growers $ m
1980	14,919	3,279	3,896	49
1981	15,346	2,874	3,808	44
1982	23,014	2,488	3,358	57
1983	17,290	3,252	4,128	56
1984	39,041	2,028	2,749	79

World Kiwifruit output

	Areas ('000 hectares)	Production ('000 tonnes 1983)	Production forecast ('000 tonnes 1990)
New Zealand	12	47	296
U.S.	2.7	13	54
Italy	2.5	9	60
Japan	2	5	45
France	1.8	6	30
Others	1.9	1	44
World	23	82	529

From NZ MAF Statistics



Buyers at the Turners and Grower central fruit and vegetable market at Aukland

Long-term hopes for goats, deer and timber

Diversification in farming

JOHN CHERRINGTON

THE SPECIALISATION of New Zealand farming into pastoral products was dictated by topography and climate. The proportion of land suitable for cropping under arable systems is, for the size of the country, extremely small because much of the area is mountainous or extremely hilly.

The climate, too, is variable, with high humidity which would put New Zealand at a disadvantage for cereals as compared with Australia, the Americas and parts of Europe. Nevertheless New Zealand can be self-sufficient in grain and has been successful in exporting malting barley when the world market has been undersupplied.

So at times of economic stress the average farmer has been advised to intensify his production of meat and wool both on his better land and on areas which would be regarded as marginal in most other countries. It must be underlined that this is the only course that many can take. Their land is not suitable for anything but grazing.

The more fortunate have level land for cropping or areas suitable for borticulture but these are concentrated in what would be called horticultural areas where there are already such activities designed to supply local needs.

A case in point is kiwifruit by far the most successful diversification so far and subject of a separate articla. Kiwi fruit, however, need a special environment not found in many parts of the country.

No one can accuse the New Zealand farmer of failing to look for alternatives. Ooe of these is deer farming. Deer were imported into the country in the 19th century and like almost every import flourished until they became a pest with a price on their heads, or rather tails.

Some 15 years ago some farmers learnt that the South Koreans valued the velvet, the immature antlers which grow eech year, as a tonic, and could not get sufficient from the traditional sources in China and the USSR.

The realisation of this initiated a boom in deer farming which is still continuing. Wild deer were trapped in the bush, bunted from helicopters and immobilised by anaesthetic darts, or simply netted from the air. All over New Zealand deer paddocks are being established on pastoral farms. Considerable capital is needed for fencing and handling sheds and for breeding stock. There is a shortage of hinds and prices are high; between three and four thousand dollars a bead.

Numbers are certainly increasing. Rising from 109,000 in 1981 to 260,000 in 1984. In some respects the industry is feeding on itself hence the very high prices made by hinds as more invest in breeding stock. Yet the value of the male animals is limited.

At recent sales yearling stags have been making between three and four bundred dollars a bead. Gross annual income from the velvet is probably between NZ$ 50 and NZ$ 100 per bead.

There is quite e good trade for venison exports particularly to Germany and this will probably expand as more becomes available. It could be some time, bowever, before the high initial costs particularly of breeding stock are recouped. In addition deer do require a high degree of stockmanship.

Goats were originally introduced to control the blackberries and other weeds which flourisbed after their importation by homesick settlers. They became almost as much of a pest as the rabbits and the blackberries themselves, and attempts et control by shooting and poisoning were only partially successful.

They are now being redomesticated, captured from the wild and used for basic breeding stock for producing Cashmere and Mohair. The former is the very fine down at the roots of the bair. The quantities produced are from four to six ounces per animal a year and can be secured from some of these feral goats.

However the main object is to cross Feral goats with Angora bucks for the production of Mohair, another very high value fibre. After five generations the progeny will be to all intents and purposes pure Angoras. In eddition to the fibre there is a developing market in the Middle East for the flesh.

Conifers grow luxuriantly almost anywhere in New Zealand and some farmers are afforresting some of their marginal areas. They will produce a marketahle crop within 25 years, less than half the time taken in Britain and there is already a sizeable timber industry which is probably capable of expansion.

The problem is that timber, like deer and goat production is a fairly long-term job. Farmers who wish to profit from them need resources to keep them going until the new ventures become viable, not an easy job in present ecooomic circumstances.

New strategies for lamb marketing

Meat production

JOHN CHERRINGTON

DURING THE last year the New Zealand Meat Producers Board rendered down 40,000 tonnes of lamb and an unknown quantity of ewe mutton to clear cold stores. For next year, the chairman of the board, Mr Adam Begg, has forecast a fall in lamb price of 20 per cent and a probable nil return for many of the old ewes sent to freezing works. This reflects the increase in output of lamb consequent upon the rise in the sheep flock which was e direct result of an incentive scheme.

This coincided with increasing output in the EEC, mainly Britain and stagnant demand in other traditional markets. The importance of Britain is declining from taking 64 per cent of all lamb in 1976-77 to 39 per cent in 1983-84. In this latter year, imports into the UK were much reduced to clear excessive stocks and could rise slightly in the future.

Iran is now the biggest customer and there have been sales recently to the USSR, Poland, Egypt and the Middle East generally. However, the hazards of the Iran-Iraq war and of oil prices make that an uncertain market and it is believed that considerable barter trade is going on.

Nothing is officially known ebout prices but it is generally believed that Britain is still the most relieble and viable outlet. To keep it that way the Meat Board is careful not to press sales into the EEC too hard. There is e strong lobby among British and French sheep farmers to restrict New Zealand imports further.

There are increasing moves to add value to lamb hy exporting primal cuts and the deal with Bernard Matthews to produce lamb rolls in New Zealand should, it is hoped take 30,000 tonnes of lamb in carcase form.

There is a problem in that, because if a combination of union power and over-capacity New Zealand slaughter and processing costs are too high in relation to the value of the meat handled.

Mutton sales have been difficult lately chiefly due to e reduction in USSR purchases, although the Soviets did begin purchasing lamb. It is very questionable if further processing of mutton will pay dividends in view of the high costs and poor markets.

Some 75 per cent of all beef exports are to the U.S. where they are limited by quota. They fell during the last year as farmers were rebuilding herds after drought but are expected to increase again. Outside the U.S. exports are much affected by competition from EEC supplies which are said to be heavily subsidised.

So far New Zealand farmers have been shielded from these problems to some extent by the devaluation and floating of the NZ dollar and the residues of the Supplementary Minimum Payments. Until Mr Begg's recent warning, the Meat Producers Board has been very secretive about the general position but he did say that export lamb prodnction for this year, 1984-85 would be 40 per cent higher than in 1979 and that there would be pressure on prices.

In his analysis of the position he said in effect that steps should have been taken in the 1970s to arrange for marketing the increasing quantities of lamb which were bound to come on the market due to the incentive schemes. That they were not was probably because, until 1982 when marketing became the responsibility of the Producers Board, then e promotional body, exporting was in the hands of a variety of companies, the majority not New Zealand-owned.

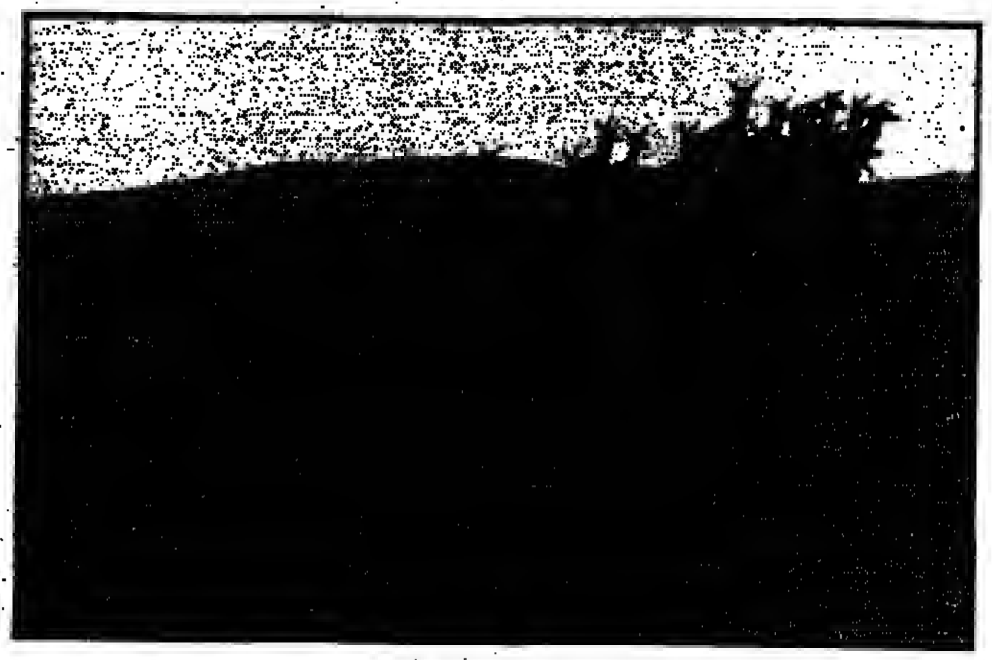
It is also the case that New Zealand lamb was losing its quality cachet in the UK market and is having difficulty in getting it back again. Even if it does succeed in this the size of the lamb market world-wide at viable prices is unknown.

Meat exports

In tonnes ('000s)

	Quantity and destination		
	To Sept. '79	To Sept. '82	To Sept. '84
Lamb total	319	350	422
Of which to UK	205	198	123
Total EEC	233	226	155
Iran	—	56	149
Total Middle East	—	73	168
Other markets: U.S.	14	7.6	6.2
Japan	19.5	15	15.3
USSR	—	—	44
Others	42	45	28
Mutton totals	115	94	66
Beef and Veal total	224	234	179
Of which U.S.	162	176	133
Canada	27	23	16
Total Asia	—	11.9	17.5
Others	20.9	7.6	5

Source:



A more unusual aspect of New Zealand meat production: a herd of red deer at Tarawera Deerland at Ngongotaha where the animals are bred for export and meat production. The first red deer were bred there for export by Mr Harry Bilmer in 1968

Thoroughbred sales boom sets new records

Bloodstock

MICHAEL THOMPSON-NOEL

EVERYTHING is relative, as buyers at this year's thoroughbred racehorse yearling sale at Trentham, New Zealand, discovered when reading about a sale of Angora goats in the Bay of Islands that momentarily stole a little of Trentham's thunder by grossing NZ$5m including o top-priced NZ$140,000 for a two-year-old buck.

That sounds a lot for a goat, and may have spurred some racehorse buyers to the view that New Zealand thoroughbreds are still underpriced, whatever the local bloodstock industry's recent rapid progress.

In the event, this year's National Sale at Trentham grossed NZ$28.5m for 402 lots (+47.8 per cent on last year) at an average of NZ$71,006 per yearling (+44.1 per cent)—a sure enough sign that the market in New Zealand is still booming.

As one prominent American racehorse-owner once remarked: "With the soil of Kentucky, the sun of California, and the rain of Ireland, New Zealand is the greatest place in the world to raise horses."

In my experience it is Ireland's rain, rather than California's sun, that New Zealanders are most indebted to, but there is no denying that with regular air charter services, New Zealand has become the thoroughbred nursery of the South Pacific.

The Trentham sale is organised by Wrightson Bloodstock, a wholly-owned subsidiary of Fletcher Challenge.

The legendary Phar Lap was sold at Wrightson's 1928 National Sale, for 160 guineas, since when the company has hardly looked back.

Says Wrightson's managing director, Mr Michael Floyd: "New Zealand has one of the largest racing industries per capita in the world. Some 14,000 brood mares produce 6,000 foals, and a similar number of horses race annually at 326 meetings at 57 racetracks.

"It has been estimated that more than 40,000 New Zealanders are employed directly or indirectly in the racing and bloodstock industries."

As usual, Australia was the main buyer ot Trentham this year, buying 231 yearlings for NZ$16.7m (58 per cent of the total). Other customers included Britain, Singapore, Malaysia, and South Africa.

Top price

The top-priced yearling was a chestnut colt by Sir Tristram which fetched NZ$650,000. Sir Tristram — a son of Epsom Derby winner Sir Ivor — once again dominated proceedings.

Of the top 12 lots, seven were by Sir Tristram, in which Mr Robert Sangster, the UK pools millionaire, now owns o stake. All told, 51 Sir Tristram yearlings were sold at Trentham, at an average of NZ$142,020 each—an extraordinary performance, by any measure, which is underpinned by the success at the racetrack of Sir Tristram offspring such as Gurner's Lane, Grosvenor, Trissaro, Dalmacia, Mapperley Heights, and Sovereign Red, all of them big winners Down Under.

New Zealand bloodstock breeders enjoy very generous tax concessions—much envied by Australian rivals — which have helped ottract investors.

Earlier this month, the Blandford Lodge Stud, which is in the Waikato area (as is Cambridge Stud, the home of Sir Tristram) made an issue of 20m ordinary 50 cent shares, including 15m to the public. The move was not without precedent.

Blandford Lodge is a 150-acre property near Matamata racecourse. The new company will start with 31 broodmares. It also has a key stake in the stallions Imposing (whose 18 lots at Trentham this year overaged o sales-topping NZ$166,883 each) and Alibhai, the first NZ-bred million dollar stakes-earner to be retired to stud in New Zealand.

The new company says its commercial objective is to produce yearlings that make the top band at Trentham, where the everage for the top 50 lots over the past three years was NZ$112,370, NZ$172,800, and NZ$235,450 respectively.

To cover all bets, perhaps they should buy a goat.

Some rivers now over-fished

Trout fishing

JOHN CHERRINGTON

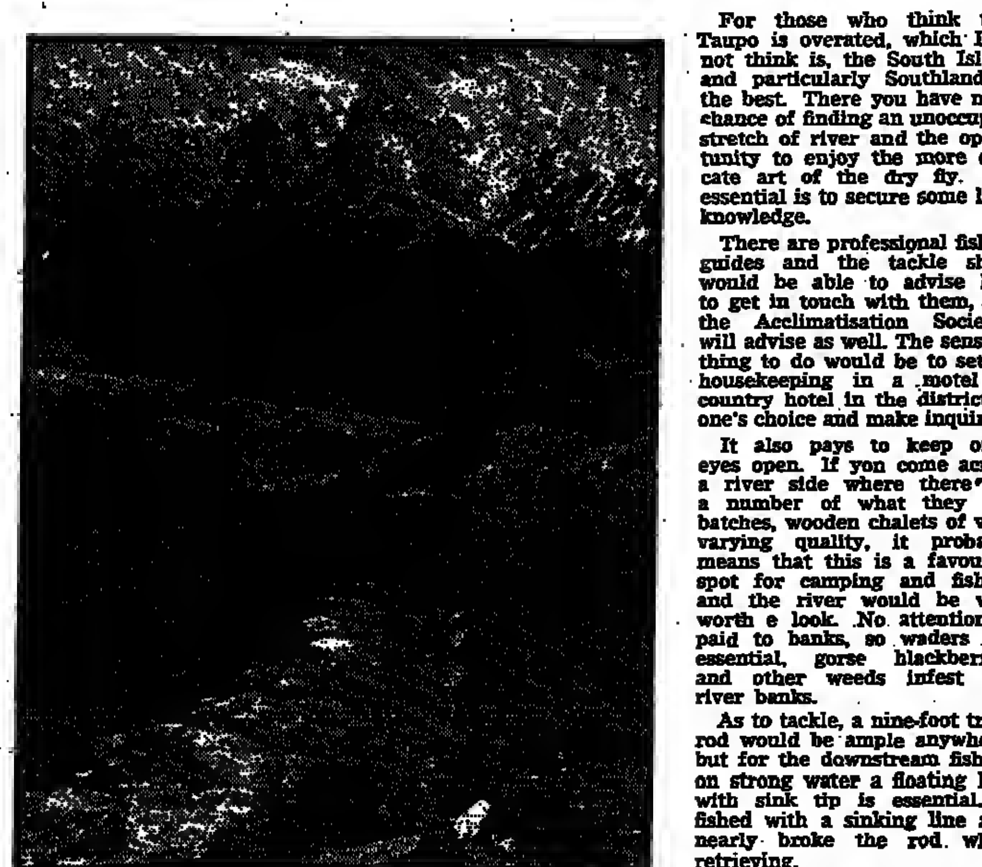
NEW ZEALAND provides the opportunity for anyone to fish the most beautiful rivers in the world at a very low cost once the journey there has been undertaken. There are no private beats and the angler can walk up any river or stream as long as he has the requisite licence, costing at present about £10.

It is advisable to ask the farmer through whose land the stream or river runs for his advice. There is no law, as there is in some British counties, against having e bull loose in a field. Some New Zealand farmers have ben known to have a strategically grazing bull in order to protect a favourite lie.

But it is as well to warn the prospective fisherman that its very cheapness and accessability makes it e very popular sport with the inhabitants. Favourite pools are sometimes overpopulated and it is as well to make the trip before or after the holiday months of December and January when the rivers can be a bit crowded.

It is also the case that those well-known hindrances to successful fishing as flood, drought and non-taking periods with lack of fly or other natural bait are just as prevalent as in Britain or anywhere else. That being said, a fishing holiday in New Zealand can be very rewarding as long as one's expectations are not too high. There is no doubt that some rivers are being overfished and there were appeals in some papers for fishermen to release catches above a certain number.

The Lake Taupo area in the North Island is probably the best known centre. The lake itself has a very large trout population which behave almost as do salmon in migrating up the rivers to spawn in the autumn. The lake can be fished at any time of year. The river systems are open from October until May. The best runs on the Tongariro at the Southern end of the lake are said to be in April.



Fisherman's paradise: New Zealand has some of the world's most beautiful rivers: the scene here is the Kawarace River, in the Queenstown area.

This river has some of the best fly water I have ever seen, and the choice of lures is extremely wide. At the end of March I shared one pool with six others. Three were fishing down stream, one was fishing upstream, nymphing he called it, with a large black fly and a float, two more were nymphing but in reality were simply casting wet flies upstream, and I had a go with a dry fly at the only fish I could see rising but was beaten by drag. In spita of all this activity a few large trout could be seen slowly making their way upstream.

The best bet when the rivers are not in form would be to hire a boat and go trolling. For Lake Taupo, by the way, a special licence is needed, mine for the Tongariro cost NZ$3 per day (£1.20).

For those who think that Taupo is overated, which I do not think is, the South Island, and particularly Southland, is the best. There you have more chance of finding an unoccupied stretch of river and the opportunity to enjoy the more delicate art of the dry fly. The essential is to secure some local knowledge.

There are professional fishing guides and the tackle shops would be able to advise how to get in touch with them, and the Acclimatisation Societies will advise as well. The sensible thing to do would be to set up housekeeping in a motel or country hotel in the district of one's choice and make inquiries.

It also pays to keep one's eyes open. If you come across a river side where there are a number of what they call batches, wooden chalets of very varying quality, it probably means that this is a favourite spot for camping and fishing and the river would be well worth e look. No attention is paid to banks, so waders are essential, gorse blackberries and other weeds infest the river banks.

As to tackle, a nine-foot trout rod would be ample anywhere, but for the downstream fishing on strong water a floating line with sink tip is essential. I fished with a sinking line and nearly broke the rod when retrieving.

New Zealanders use very big flies, but sea trout or salmon flies would do well and the standard dry flies seem to work quite well for upstream fishing.

It would also be as well to take e salmon rod. The Acclimatisation Societies have been successful in establishing salmon runs, Pacific salmon, in various South Island rivers, notably the Rakaia and Waitaki. Very good catches were reported this year and this prospect is well worth exploring.

But one word of warning. The New Zealand sandfly defends every river with one of the most irritating stings that I know. Take plenty of repellent and wrap up well.

A sudden rush of overseas visitors

EUROPEAN TOURISTS have suddenly discovered the attractions—and the relative low cost—of holidays in New Zealand. These factors have helped spark a major tourist boom, which began late last year.

Surveys and forecasts suggest that the New Zealand *tourist industry will this year receive many more visitors* from European countries as well as a big increase in arrivals from the key tourists market of Australia, Japan, Asia and North America. Britain is now the fourth and Germany the sixth-largest market for New Zealand tourism.

Tourism sector

DAI HAYWARD

German visitors increased by 6 per cent in the year ended February, but New Zealand tourist industry leaders were even more excited by the big percentage increase from Scandinavia (up 46 per cent), France (30.9 per cent) and Italy (27 per cent).

Tourist earnings jumped 40 per ceot to NZ$ 1.1bn during the past year. The Tourism *Minister*, the *Hon Mike Moore*, forecasts that tourism "will soon earn more than wool."

The favourable exchange rate which gave Australians virtually a half-price holiday in New Zealand led to a boost from Australia this year. I n February alone, 15 per cent more Australians toured New Zealand and more than 250,000 Australians will vsit New Zealand this year.

Last year, New Zealand played bost to ½m overseas visitors—this year there will be many more. The big increase in tourist numbers has not been without its problems including the need for more top class hotels, especially in the main cities and major tourist centres.

Campaign

The Government has launched a massive campaign to boost tourist development. Last month it increased Government financial support by 187 per cent, with NZ$ 16.4m in aid for existing and new tourist projects.

There is now NZ$ 300m of new, first class hotel building under construction, or in the pipeline. These developments will provide an additional 1,300 rooms within the next year. During the past year, leading hotel chains, such as the Regency Hyatt and Sheraton, have opened new hotels in tha country.

The government's own Tourist Hotel Corporation is planning a new high class 200-room hotel at Queens Own, one of the country's most popular tourist resorts where the accommodation shortage is particularly acute.

In addition to the top class hotel construction, there has been extensive building or upgrading of smaller, *lower-cost* accommodation throughout the country.

The tourist industry is now attracting much interest and substantial overseas investment, particularly from Singapore, Australia and the U.S. The removal of exchange control and the lifting of restrictions on foreign investment in New Zealand will also give a boost to overseas investment in the sector.

The Labour Government is particularly aware of the benefits which tourism can bring, especially in the creation of new jobs. Mr Moore wants these benefits to be spread as widely as possible throughout the country—not just in what were regarded as the main tourist or scenic areas.

The minister has encouraged local entrepreneurs to open and develop a whole range of attractions which will entice tourists to stop more frequently on their regional travels.

Mr Moore is also providing this regional aid at a much earlier stage in tha development of naw tourist attractions. Formerly, financial assistance was often only available when a project was operative. Now, a much greater amount is given at an earlier stage so that entrepreneurs with good ideas can get them off the ground.

Along with the emphasis on regional tourism has come the realisation that the unique scenic attractions, clean environment and wide open spaces which often originally attract visitors to New Zealand, are not, in themselves, sufficient to fully hold their interest after they arrive.

The country's colourful pioneering past is now being ntilised for tourism with the re-opening (or recreating) of different types of pioneer village, gold-mine or early farming operations.

Tourists also now have easier access to the country's wild rivers, tall mountain peaks and dense forests. The visitor who leads the most sedentary life at home can now experience the *thrill* and *adventure of white* water rafting on a raging river or enjoy the heart-stopping excitement of jet-boating through a deep river gorge.

Specialised bunting and fishing expeditions, along with a growing number of adventure-type holidays, are attracting people of many aga groups.

To many, especially from the over-crowded cities of Asia or North America, the opportunities to come close to nature or experience solitude and a slice of adventure, while at the same time remaining protected and safe, is a much sought-after experience.

Mr Moore, who has a considerabla enthusiasm for his job of developing and supporting NZ tourism, comments: "People from other lands are often more interested in what a country *is* . . . things that New Zealanders take for granted, as everyday parts of life, are unusual, often strange and interesting to visitors."

The minister points for example, to the delight with which coachloads or foreign visitors, particularly Japanese or Americans, view the passing of a block of 300 sheep on a country highway. To the local motorist, however, such a flock, with a drover, and his dogs, is more of an *irritation*, but to the foreign visitors, the scene is one to be recorded on movie film and snapshots.

Popular

Australians and Americans often prefer the freedom of driving a rented car or motorised caravan. This type of holiday is also becoming *increasingly popular with British* tourists.

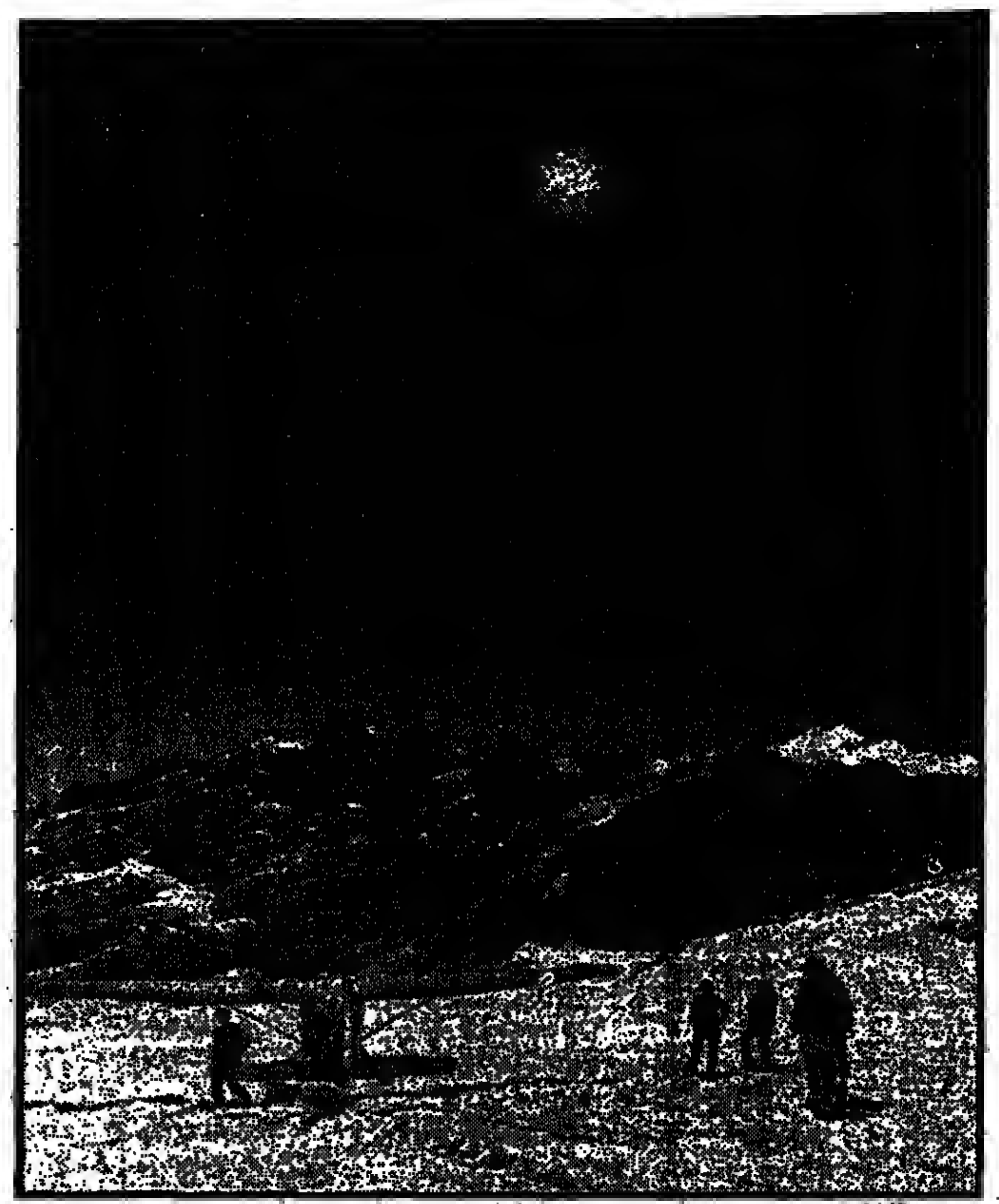
For many years the involvement of New Zealand's Maori people in tourism was little more than superficial, providing grass-skirted concert groups to entertain visitors. Now, the Maori people are becoming directly involved in tourism in a business-like and rewarding way.

The nation's *flag* carrier, Air New Zealand, strongly promotes tourism in the main market areas. The growing tourist traffic has undoubtedly been an important factor in the airline's continued expansion and profitability, at a time when many other *international airlines* are running at a loss.

Air New Zealand has just signed an agrement with Canadian Pacific Airlines to open up a new NZ-Canada route later this year. This should increase the number of Canadian tourists visiting the South Pacific.

A third of the country's population lives in the Auckland *region, in the north of New Zealand*, where a large proportion have never visited the South Island or seen the scenic wonders of their own land. A Government drive hopes to alter that, with campaigns encouraging New Zealanders to "Know your own country first."

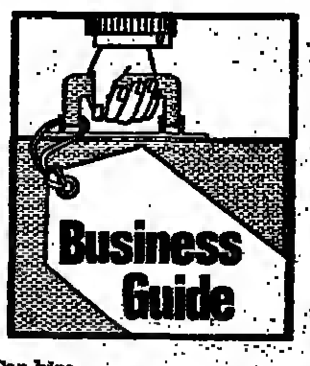
All this support and promotion has helped to create a growing tourist industry in which New Zealanders are rapidly building a reputation in the international world for friendliness and hospitality — characteristics which appeal to visitors from any land.



Glyn Genin

New Zealand offers an impressive choice of holidays for overseas visitors: Above: tourists arrive by Cessna ski-plane at Mount Cook National Park. As well as tourist flights, Mount Cook Line operate air, road and rail services throughout the country

TRAVEL AND ACCOMMODATION SUMMARY



International airports
Auckland International
(Code: AKL)
22 km from city
Christchurch International
(Code: CHC)
11 km from city
Wellington International—Rongotai
(Code: WLG)
8 km from city
Main ports
Auckland, Dunedin, Lyttleton, Tauranga, Wellington
Hotels
Neither service charge nor tipping is usual.
Hotels in the main cities include the following:

Auckland
Townhouse Hotel
Anzac Avenue
(tel: 798509)
Regency Hotel
35 Albert Street
(tel: 30501).

Airport Inn
PO Box 53-039, Kirkbride/Ascot Rds., Mangere
(tel: 2757029; telex: 21249)
Airport Travelodge
Auckland International Airport
(tel: 2751059; telex: 21088)
Gateway Lodge
PO Box 73-105, Kirkbride Rd
(tel: 2754079; telex: 21207)
Travelodge
96-100 Quay St.
(tel: 770349; telex: 2538)
DB Mangere
Bader Drive, Mangere
(tel: 2754139)
Grafton Oaks Courtesy Inn
121 Grafton Rd, Grafton
(tel: 30167; telex 2191)
Hyatt Kingsgate Anckland
Waterloo Quadrant/Princes St.
(tel: 797220; telex: 2298).
Railton Private
411 Queen St.
(tel: 796487)
Regal Polynesian Inn
Kirkbride Rd, Mangere
(tel: 2755082)
Royal International
Victoria St. West
(tel: 31359: telex: 2505)
Sheraton Anckland
PO Box 2771
(tel: 795135; telex: 60231)

South Pacific
PO Box 1707, Customs/Queen Sts.
(tel: 778920; telex: 2231)
Vacation Hotel
197 Campbell Rd, Green Lane
(tel: 664179; telex: 2791)
White Hernn Regency
138 St. Stephen's Ave, Parnell
(tel: 796860; telex: 2377)

Christchurch
Admiral Lodge
51 Pages Rd.
(tel: 899014)
Avon Motor Lodge
356 Oxford Terrace
(tel: 791180; telex: 4382)
Chateau Regency
PO Box 2863, 187-189 Deans Ave, Riccarton
(tel: 488999)
Clarendon
79 Worcester St.
(tel: 798440; cable: Clarendon)
Noahs
PO Box 1318, Worcester St./Oxford Terrace
(tel: 794700; telex: 4875)
Russley
PO Box 8108, Roydvala Ave.
(tel: 588289; cable: Russleho)
Travelodge Christchurch
PO Box 14043, Memorial/Orchard Aves.
(tel: 583139; telex: 4258)
United Service
PO Box 44, Cathedral Sq.
(tel: 791060; telex: 4633)
Vacation
PO Box 1896, Colombo St.
(tel: 795880; telex: 4523)
Wellington
Abel Tasman Courtesy Inn
Willis/Dixon Sts.
(tel: 851304; telex: 3977)
De Brett Hotel
101 Lambton Quay
(tel: 725376)
James Cook
Private Bag, The Terrace
(tel: 725865; telex: 3871)
Park Royal
Oriental Parade
(tel: 859949; telex: 30106)
St. George
PO Box 11328,
Willis/Boulcott Sts.
(tel: 739139; telex: 3674)
Terrace Regency
345 The Terrace
(tel: 859929: telex: 30126)
Travelodge Motor
PO Box 9208,
40-44 Oriental Parade
(tel: 857799; telex: 30058)
Waterloo
PO Box 1721,
Waterloo Quay/Bunnv St.
(tel: 728255; telex: 2343)
Dunedin
Shoreline
47 Timaru St.
(tel: 551951
Southern Cross
High St
(tel: 770752; telex: 5733)
Taxis
Metered; tipping not usual except for extra services; ordered by telephone or found on ranks

Car hire
International licence (or certain national licences, for short stays—e.g. U.S., UK, German FR) required; hirers must be over age 21
Auckland
Avis: PO Box 5913, Wakefield St.
(tel: 792545; telex 2543)
Europcar: Bowden Rd., Mt. Wellington
(tel: 572046/31149)
Budget: Beach Rd.
(tel: 796768; telex: 21276)
Hertz: Victoria St. West
(tel: 34924)
Newmans Rentals
PO Box 22413, Otahuhn
(tel: 572046)
MacDonald Halligan Motors:
Great South Rd, Greenlane
(tel: 543019)
Henderson Rental:
Dora St., Henderson
(tel: 8368089)
International Airport
Avis (tel: 27/57239)
Hertz (tel: 27/59953)
Christchurch
Avis: PO Box 1092,
Gloucester St.
(tel: 793840; telex: 4292).
Europcar: St Asaph St.
(tel: 795641)
Budget: Oxford Terrace/Lichfield St.
(tel: 60072; telex: 4939)
Hertz: Lichfield St.
(tel 60549)
Wellington
Avis: PO Box 6317, Dixon St.
(tel: 850266; telex: 3393)
Europcar: Taranaki St.
(tel: 851149)
Budget: Waterloo Quay
(tel: 726336; telex: 31207)
Anthony Motors: Main St.
(tel: 287089)
Highway Rent-a-Car:
Parumoana St.
(tel: 77496)
Newman's Rental: Taranaki St.
(tel: 852149)
Petone Rental:
High St., Lower Hutt
(tel: 660405)
Picton Rental:
Kent St./Wairau Rd, Picton
(tel: Picton 725)
Hertz: Courtenay Place
(tel: 843809)
Internal Travel
Air: Main domestic carriers are Air New Zealand, Mount Cook Airlines and Newmans Air; most centres/resorts linked by scheduled services: charter and local services also available.
Road: Over 95,000 km of road network; main routes are surfaced and condition is generally good; unsealed roads generally well-maintained
Bus: Network of coach services booking in advance particularly advisable at holiday times (e.g. Dec./Jan., Easter); good local services
Rail: Usually one "special" class (although "second" class found on some local trains); express linked main centres usually have restaurant cars, sleeping accommodation and in some cases, air conditioning. Main routes include: Auckland-Wellington (likely journey time 11 hours); Christchurch-Invercargill (10 hours). Total network around 4,560 kms
Sea: Regular services for passengers and vehicles between North and South Islands; passenger services between South Island and Stewart Island. Advance booking advisable Dec./Jan. and at Easter
Telecommunications
Telephone dialling code for New Zealand: prefix + 64, followed by, for Auckland 9, Christchurch 3, Dunedin 24, Palmerston North 63,
Wellington 4.
Useful telephone number
Emergency (all services): 111
Banks
Main centre: Wellington
Banking hours: 10.00-16.00
(*exceptions Sat., Sun. closed*)
Government and business hours
09.00-17.00
(exceptions: Sat., Sun. closed)
Useful business addresses
Auckland Chamber of Commerce
PO Box 47, 2 Courthouse Lane, Auckland
(tel: 31968; telex: 2326)
Canterbury Chamber of Commerce
PO Box 187, 159 Oxford Terrace, Christchurch
(tel: 64992; telex: 4586)
Development Finance Corporations of New Zealand
PO Box 3090, Wellington
New Zealand Chambers of Commerce
Molesworth St, Thorndon,
PO Box 1071, Wellington
(tel: 723376; telex: 3714)
New Zealand Export-Import Corpn.
Robert Jones House,
Willeston St, PO Box 11332,
Wellington, (tel: 738110)
New Zealand Bureau of Importers and Exporters
Parnell House,
470 Parnell Rd, Auckland
(tel: 771273)
Wellington Chamber of Commerce
PO Box 1520, 126 Wakefield St, Wellington
(tel: 722725; telex: 3714)
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